

FINANCIAL TIMES

EC STEEL

Producers sense an imminent downturn

Page 2

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World News

China arrests may herald crackdown on dissent

Thousands of Peking residents gathered in Tiananmen Square last night to condemn the arrests earlier of three men who had formed an independent workers' union.

Nuclear work stops

Construction of West Germany's nuclear processing plant at Wackersdorf in Bavaria will stop today ahead of an official decision to abandon the project.

EC funds for cities

European Community funds for inner city problem areas will be made available under an initiative announced by Bruce Millan, regional policy commissioner.

Hong Kong vote call

Hong Kong's political leaders called for the chief executive, who will run the colony when it reverts to Chinese sovereignty in 1997, to be directly elected by universal suffrage before 2003.

Police chief escapes

A car bomb attack on General Miguel Mendez, head of Colombia's state security police, killed two people. The general escaped with bruises.

10,000 homeless

At least 10,000 people were made homeless after heavy rains washed away part of an embankment on the river Teesta in northern Bangladesh.

Boat people stalled

Several hundred Vietnamese boat people were last night being accommodated in driving rain on a remote Hong Kong island because the Government can find nowhere else to put new arrivals.

Reporter charged

A television reporter who obtained a leaked copy of Canada's budget and four other men were charged with illegal possession of a stolen document.

Gulf reassured

Lord Young, British Secretary of State for Trade and Industry, moved to reassure Gulf states about access for their exports to the European Community after 1992.

Gorbachev visit

Soviet leader Mikhail Gorbachev departed from the usual etiquette of state visits by accepting an invitation to address Ruhr steelworkers when he visits West Germany.

Poll results

More than a million Italian voters in communal elections rewarded the Christian Democrats and the Socialists for their recent defeat at the country's 48th post-war government.

Miners accept 13.5%

South Africa's 26,000 white miners agreed a wage increase slightly below the 14 per cent inflation.

Cuba plans liner

Cuba completed arrangements for the construction of a \$250m, 1,200-room ocean liner. Cuba said it would be built and financed by Naval HB Metal Band of West Germany.

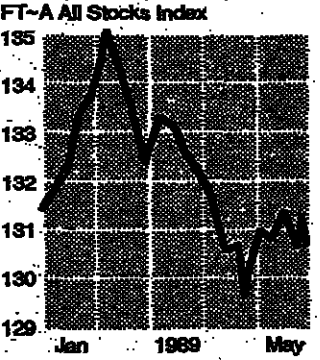
Business Summary

Hills mounts defence of 'unfair' US trade policy

THE US decision to name Japan, Brazil and India as unfair trading partners could be seen as a way of opening markets and expanding world trade, said Mrs Carla Hills, the US special trade representative yesterday.

UK GILTS: Sterling's nosedive on the foreign exchange markets revived fears of 15 per cent base rates in the UK as yields on long-dated gilts

Gilts



nudged 10 per cent. The FT-Actuaries All Stock Index lost 0.36 and the day at 130.7 compared with Friday's 131.18.

THE European Commission issued a formal objection under EC competition rules to the FI 390m (£110m) takeover by Douwe Egberts, food and household products group, of Van Nelle, company's main rival in the Bonaer market for ground coffee.

COMMERZBANK, West German commercial bank, plans to extend its activities further into the financial services area by increasing its sales co-operation with DBV + Partner Versicherung, a nationally represented insurance company.

ORLEN, French state-owned chemicals company, is holding talks about a possible asset swap in the polyethylene sector with Enimont, Italian chemicals concern.

FIAT, Italian motor group, unveiled a record profits and announced plans to spend up to £1,000m (£989m) buying in its own shares.

QUANTUM Chemical, big US chemical group, joined forces with First Boston in an equally owned partnership (QFB) to buy Panhandle Eastern's propane gas unit, Petrolina Partners, for \$1.1bn.

JAPAN Air Lines and All Nippon Airways, Japan's two largest airlines, reported large profit increases in the year as a result of booming demand on both domestic and international routes.

EL AL, Israel's state-owned airline which has been in receivership since 1982, achieved \$18.8m in profits for 1988 despite a sharp fall in passenger numbers due to the Palestinian uprising.

PENNYWALT Corporation, Philadelphia-based chemicals group sold Wallace & Tiernan, water treatment division, to management teams in Britain, US and Germany in a deal valued at \$75m.

BID battle over Gateway, Britain's third largest food retail group, intensified as the bidder, the newly formed Isocoles company, raised its terms and made its first market purchases.

JAPAN'S ball bearing industry was threatened with higher anti-dumping duties on Ecu 72.6m (\$77m) worth of its exports to the European Community.

REED International, publishing and information group is to buy independent television Publications, publishers of TV Times, the UK commercial television listings magazine.

Nato compromise opens way for fresh arms talks

By Robert Mauthner and David White in Brussels

EAST-WEST arms control talks received a fresh impetus yesterday after Nato heads of government agreed to a compromise on the issue of short-range nuclear weapons.

The agreement required Britain and West Germany to make concessions. It opens the way for further arms control negotiations with the Soviet Union - albeit under strict conditions - and is a boost to the western alliance after weeks of disagreement.

It comes after US President George Bush proposed on Monday that US forces in Europe be by 20 per cent in return for drastic cuts in Soviet forces.

That initiative was hailed by Mr Eduard Shevardnadze, the Soviet foreign minister, as a "serious and important step in the right direction."

Yesterday's Nato compromise gives way partly to West German demands for negotiations on short-range nuclear systems, which the US and Britain have always considered essential for Nato's defence.

However, the agreement links such talks - which would be limited to US and Soviet land-based missiles - to concrete progress in conventional arms reductions being negotiated in Vienna.

The summit's outcome was seen as a personal triumph for President Bush, who until recently faced criticism at home for taking a passive stance on foreign policy.

Under the compromise, implementation of negotiated conventional reductions would have to start before any nuclear talks could begin. Any actual cuts in Nato nuclear forces would also only be partial and would have to follow conventional reductions and unilateral cuts by Moscow in its more numerous short-range missiles.

Strong reservations by Mrs Margaret Thatcher, Britain's Prime Minister, were overcome through language which clearly committed Nato to maintaining nuclear forces in Europe - including missiles - for "the foreseeable future."

Although Nato governments voiced satisfaction at the compromise agreement, some differences of interpretation emerged after the summit

Five killed, 800 arrested in Argentine food riots

By Gary Mead in Buenos Aires

FIVE PEOPLE were killed yesterday and more than 800 arrested during food riots in Rosario, Argentina's third largest city, putting further pressure on the beleaguered administration of President Raul Alfonsin.

The unrest was spreading last night to the poor suburbs of the capital, Buenos Aires, despite the imposition of a national state of emergency on Monday. Two bombs exploded in the Buenos Aires financial centre, injuring two people.

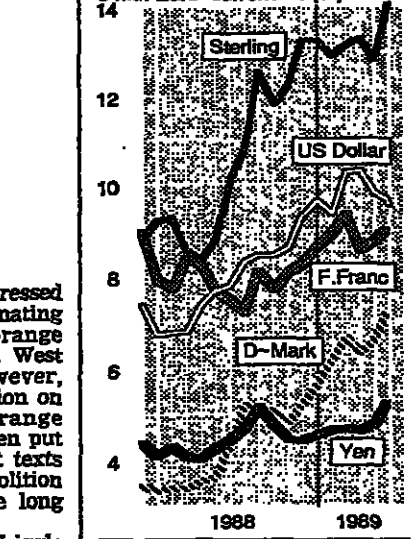
The violence has given rise to Argentina's most serious political crisis for 5 1/2 years, heightening the political vacuum felt since the Radical government lost the presidential and parliamentary elections to the Peronists in 1983.

Mr Luis Zamora of the left-wing opposition group "Movement towards Socialism" (MAS), who was elected a national Congress deputy on May 14, described Mr Alfonsin's remarks as "false accusations" and a "smokescreen" to obscure Government responsibility for events in Rosario.

Mr Zamora called for an immediate general wage increase of 100 per cent to be index-linked on a weekly basis. Political uncertainty has magnified the problems facing Argentina. Mr Carlos Menem, the president-elect, is due to take office on December 10, but he has suggested that the date may be advanced to September. His Peronist party is being called on by President Alfonsin to underwrite last Sunday's economic programme.

Mr Tom Coleman, head of product development, remembers a proposal to trade a futures contract based on advertising space - a chunk of advertising space in the evening news being deliverable against a contract. Another idea that never got off the ground was to trade futures on railway sleepers.

Short term interest rates around the World



£ comes under new selling pressure

By Simon Holberton in London and Janet Bush in New York

STERLING fell sharply on foreign exchange markets yesterday despite last week's rise in base rates to 14 per cent, while the US dollar showed signs of renewed strength.

Sterling closed at its lowest level since last February on the Bank of England's trade-weighted sterling index, which ended 0.9 lower at 92.5.

The pound came under renewed and broadly based selling pressure in late European trading - pressures similar to those which a week ago forced the UK Government to raise interest rates to 14 per cent.

In London, the pound closed almost 3 pips lower at \$1.5585.

After yesterday's steep fall in sterling some analysts were left wondering what was needed to maintain the pound's value internationally. The London equity market suffered after sterling's late fall with the FT-SE 100-Share Index ending 10.3 down at 2,139.

The US currency was indifferent to the first rise in the Japanese discount rate in nine years and a concerted round of central bank intervention. In Europe it ended 2 pips and 1/2 higher at DM2.0085 and ¥143.4, respectively.

In New York, the dollar closed at DML93335 and Japanese rate rise, Page 5; Lex, Page 20; London Stock Exchange, Page 35; Currencies, Page 42.

He dwelt at length on the profound economic and social problems which have become,

Gorbachev postpones Soviet polls

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet president, yesterday announced the postponement of the next round of elections in the country, in a concession to head off a threatened mass revolt by officials of the ruling Communist Party.

In exchange, however, he promised a second session of the newly-elected Congress of People's Deputies in the autumn. The Congress is proving to be a traumatic exercise in trial by television for the Soviet leadership.

Mr Gorbachev also promised national referenda on the most important new laws in a massive legislative agenda of almost 50 items, intended to be the foundation of a "socialist law-based state."

At the same time, he called for greater "order and discipline" in the increasingly turbulent political debate across the country.

Mr Gorbachev's retreat on the next democratic test for the ruling party was revealed to the Congress yesterday in his long-awaited report on the state of the nation, a two-hour exposé of the raft of economic, social and political problems exposed by his perestroika reform process.

He said the elections would have to be postponed from the autumn to next spring, because of the need to prepare a new - and more democratic - election law, which would have to be approved at a second session of the Congress.

The prospect of facing a new round of voting in the autumn, after the resounding defeat of a string of leading party officials in the polls of the past two months, had already caused open revolt at the plenary meeting of the Communist Party central committee earlier this month.

Mr Gorbachev was told that many party leaders in the provinces would flatly refuse to stand, because simply to be a party official was seen as a sure way of being defeated.

Progressives within the party and outside were forecasting a humiliating defeat for the full-time party secretaries who run the system.

The election concession was the most significant in a deliberately conciliatory speech by the Soviet leader, obviously conscious of the continuing conservative majority in the new Congress.

He sought to reassure the increasingly restless non-Peronist republics that genuine devolution of political and economic authority would be introduced, but he warned that the lack of discipline and order "is undermining democracy."

However, in a neat irony, in view of the majority of Communist Party conservatives still dominating the Congress, he praised them as the guarantors of perestroika, "protecting it from sliding into conservative and reactionary elements," Gorbachev to meet Ruhr workers, Page 2

Pacific Stock Exchange plans memory chip futures market

By Louise Kehoe in San Francisco

FUTURES traders in San Francisco aim to chip in to a new multi-billion dollar hi-tech market. Until now they have concentrated on commodity and financial products but the Pacific Stock Exchange has come up with plans to create a market to trade futures contracts on semiconductor memory chips.

The proposal, a sharp departure from the traditional commodities traded on futures markets, is believed to be the first formal move to establish a financial instrument based on electronics products.

The plan envisages establishing a market for futures contracts on dynamic random access memory (Dram) chips, the most widely used type of computer data storage device. The market would start in the first quarter of 1990.

World wide sales of Drams totalled \$6bn last year, of which more than 80 per cent were produced in Japan. An official of the Pacific Stock Exchange said Drams had

become "a modern-day commodity" because they were an essential raw material in the electronics industry. Dram prices have soared over the past two years as demand outstripped supply, but prices have begun to decline rapidly recently, leaving some US computer companies with big stocks of chips that are falling in value.

The futures market will create a "hedging tool" to enable Dram buyers to protect themselves from price volatility. With a futures contract, the commodity buyer can lock into a price by arranging delivery at a specified future time.

Japan's strongmen subdue stirrings of political reform

Prime Minister Noboru Takeshita is to resign as a result of the Recruit scandal. But he is already leading moves within the ruling Liberal Democratic Party to minimise the impact of reforms.

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THE INSIDER'S GUIDE TO EUROPE. THE FINE ART OF FLYING AIR FRANCE. Europe's not just a word.

MARKETS table with columns for Frankfurt DAX Index, Sterling, US Incomes, Interest Rates, and Stock Indices. Includes data for various markets and indices.

EUROPEAN NEWS

Gorbachev to meet Ruhr workers

By David Goodhart in Bonn

MR Mikhail Gorbachev, the Soviet leader, has departed from the usual etiquette of state visits by accepting an invitation to address a mass gathering of Ruhr steelworkers when he visits West Germany in two weeks' time.

The idea was dreamed up by works council and union officials in Dortmund in 1987 to highlight their anxiety about job losses. Works councillors at Hoesch, Thyssen, Krupp and Mannesmann, the heavy industrial groups, wrote to the Soviet leader calling for more economic co-operation "to

extend and develop our common European house".

Much to the surprise of Mr Werner Nass, the Hoesch works council chairman, he received a response from Mr Gorbachev through Mr Yuli Kvitsinsky, the Soviet ambassador. The Soviet leader did not miss the opportunity of scoring some political points.

"You are right," he wrote, "in emphasising that industry in the Ruhr, which is now fighting for breath in the framework of the European Economic Community, would have entirely different opportu-

nities and prospects in a context extending from the Atlantic to the Urals."

Now, following an official invitation from the Hoesch company too, Mr Gorbachev has agreed to take a short detour during his three-day visit to talk to an expected 5,000 workers from the Ruhr in Hoesch's new cold steel rolling mill in Dortmund.

Hoesch no doubt hopes that the cost of stopping production for one hour will be more than compensated by further improvement in its trade relations with the Soviet Union.

Mr Detlev Behwedder, the chief executive, visited Moscow last year with Chancellor Helmut Kohl's delegation of industrialists and again this year with Mr Hans-Jochen Vogel, the Social Democrat leader. Last year Hoesch sold DM 220m (\$68.8m) of steel and capital goods to the Soviet Union and bought DM 50m of metals.

Mr Gorbachev will also meet businessmen in Dusseldorf, Stuttgart and Cologne. Big trade agreements are not expected but it is possible that some large contracts could be announced.

British businesses excluded from Soviet employee quota

By Quentin Peel in Moscow

THE SOVIET UNION announced yesterday a reprieve for British businesses and joint ventures in the Soviet Union, exempting them from the effect of a quota restriction on their Soviet employees.

The only organisation now likely to be immediately hit by the quota - imposed in retaliation for a long-standing British quota on Soviet employees in London - is the British embassy.

However, the ceiling of 205 on all accredited British representatives in Moscow, including businessmen, journalists, diplomats, and the Soviet staff of the British embassy, is still likely to cause problems for any new organisation wishing to

establish an office in Moscow.

The key concession announced yesterday by Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, is that Soviet employees of British businesses and newspaper correspondents will not be included in the quota.

The quota was first announced last week and included all British and Soviet employees in all accredited British offices in Moscow - meaning a cut of 169 in their staff, or more than two out of every three Soviet employees.

The move would have had a chaotic effect on British business, removing key personnel like interpreters, sales and technical staff.

Negotiations on the meaning

of the quota are continuing between British embassy officials and the Soviet Foreign Ministry. However, if the quota is applied as now defined, it would still mean that perhaps 40 Soviet staff would be cut of the 110 employed by the embassy and diplomats' families.

Mr Gerasimov said that both the British-Soviet Chamber of Commerce, and any British-Soviet joint ventures, were exempted from the quota for both British and Soviet staff, removing an anomaly which would have probably blocked any joint venture plans in the pipeline.

There are currently some 140 accredited British diplomats, businessmen and journalists in Moscow.

Italian accountants' patience taxed

By John Wyles in Rome

THE creative distaste with which most Italians compile their annual income tax forms has turned to bad tempered protest and long queues outside banks and post offices in the last few days because of a government decision not to lift the May 31 deadline for payment of 1988 taxes.

The experience for most small businessmen, the self-employed and professionals has been a bitter reminder of the state's capacity to make a mess of things.

Most of their ire is being heaped on Mr Emilio Colombo, the Minister of Finance, who long refused to admit that a problem was looming, belatedly acknowledged that a lifting of the deadline would probably be necessary and then failed to push such a decision through the cabinet last Friday.

As a result, the national accountants' association is launching a legal action against the minister alleging that he has not fulfilled the duties of his office, while Italians and their accountants have been burning the midnight oil trying to fill out forms of apparently unprecedented complexity.

The problems have arisen from the fact that the Government has introduced a number of important and complicated tax changes affecting the self-employed, some of which were only passed into law at the end of April. The requisite tax forms were not available until much later than usual and when they did appear, the accompanying leaflet of official advice was not only confusing but, as experts pointed out, in some respects plain wrong.

Most people had begun to expect, and pray for, an extension of the tax deadline and the Government's refusal to concede one has led to a desperate last-minute rush to present payments and declarations at banks and post offices. Italy's leading financial daily, *Il Sole-24 Ore*, yesterday published a page of protest letters which were not signed "Disgusted of Novara" but came from just about every trade association.

Steel producers sense a draught

William Dawkins on EC discussions about an expected downturn

EUROPE'S steel producers have a nagging fear that the party might nearly be over.

The industry has not had it so good for years. Output and prices have climbed strongly since late 1986, but the usual seasonal blips, and forecasts for the rest of the year are on the whole good. But the European Community's big steelmakers are already discussing how to soften the impact of the inevitable downturn. The European Commission's forecasters are expecting the current upturn to run out of steam towards the end of this year or early next.

Some members of Eurofer, the club of big integrated steelmakers, want Brussels' help. The Commission, which has much more power to intervene in steel than in any other industry, was a fine ally during the steel crisis of the early 1980s. Then it set up a system of mandatory production quotas - now defunct - to provide a base for the industry as companies restructured. Now a growing body, said to include the French, Italian, West German and Belgian producers, want the Commission to prepare a voluntary emergency code to be triggered when a downturn hits. The aim would be to give producers guidance on production and prices.

While Eurofer has made no official approach to Brussels, Commission officials have registered their fears. And they have no sympathy. It is less than a year since Brussels won EC governments' reluctant agreement to scrap the eight-year-old quota system and it certainly does not want to discard that hard-won victory now.

Instead, the Commission sees its job as to promote free competition in the steel industry in the run-up to the 1992 creation of a single market. That means cracking down on state subsidies - where the Commission is embroiled in a wrangle with the Italian government over subsidies to its state-owned steelmaker - and applying

anti-dumping regulations to imports. The most the Commission is prepared to do for Eurofer is to continue its monitoring role of pushing out quarterly production forecasts, a system set up to follow the ending of the old quota regime last July and designed to give producers early warning of a downturn.

Even if it gets nowhere, the latest debate within Eurofer does invite the question of what lies beneath steel producers' fears. At first sight, they have nothing to worry about. EC crude steel output rose 9 per cent to 137m tonnes last year and is continuing that trend, supported by the fastest growth in industrial investment for 20 years and strong demand from the car and construction industries.

The Commission is as a result reappraising its estimate of 20m tonnes underlying surplus capacity, the EC industry's most basic problem. Even so, there is still a big overhang. Officials reckon that output is running at 3 to 4 per cent higher than consumption, suggesting that the industry is still a long way from making all the closures needed to bring the market into true balance.

What worries the steel producers today are high inventories, a sudden surge in imports from Third World producers and a flattening of prices. Stockholders and steel users are on average keeping three to four months' supply in most products, a steep rise over the past 18 months, say Commission officials.

It is an ideal time for steel consumers. Most products are easy to obtain, and delivery times are getting shorter for all but galvanised sheet, where there is a world shortage. Producers, by contrast, fear that stockholders might suddenly dump their surpluses, turning their fears of a price fall into an uncontrollable reality.

All these uncertainties have already contributed to a softening of prices in

some key steel products. Commission officials reckon that prices for flat steels, like hot rolled coil as sold to the car industry, have stabilised over the past two months after rising by 3 to 5 per cent annually over the past two years. Prices for long products, like girders, wire and bars, are still climbing by around 10 per cent annually because of the construction sector's continued growth. But then price movements in long products have traditionally lagged behind changes in flat products.

Import penetration fell slightly in 1988, only to rebound worryingly in the first quarter of this year from 8 to 10 per cent of EC consumption, according to Eurofer. The main sources are Turkey, China and Yugoslavia, which is awaiting the results of an EC inquiry into dumping of cold rolled sheet. Nobody is quite sure whether this is a freak or a sign of undecaying European uncompetitiveness.

The increase is still within the confidential bilateral restraints the EC imposes on 12 exporters, mainly from Scandinavia, Eastern Europe, Asia and Latin America, though Turkey and China do not form part of these. But the Commission is under strong pressure from steel consumers to end these arrangements. This will provoke protests from steel producers, who believe the EC market is already the most open in the world.

This is at a time when Eurofer members are equally uncertain how to plan their own exports. Their sales to the important US market are currently controlled by a voluntary restraint agreement which expires on September 30 and has as yet nothing to replace it.

The accord limits Community exports to the US to 5m tonnes annually, a potentially crucial outlet in difficult times. President George Bush has hinted that he wants to keep some kind of restraint accord but Washington has kept EC steelmakers on tenterhooks by failing to come out with any firm proposals.

EC money for inner city problem areas

By Hazel Duffy

EUROPEAN COMMUNITY funds for inner city problem areas will be made available under an initiative announced yesterday by Mr Bruce Millan, regional policy commissioner.

Some cities were disappointed that the strict qualifying criteria on unemployment records and industrial decline made them ineligible earlier this year for money from the restructured Regional Development Fund. Parts of Madrid and a small area in the Netherlands were the only inner city places to qualify.

Speaking in Madrid yesterday, Mr Millan admitted many areas had "very real social and economic problems". He had found a way within fund regulations to give him access to money provided for studies and pilot schemes for promoting regional policy.

Subject to similar action being agreed by Mrs Vasso Papandreou, social affairs commissioner, resources from the regional fund and European social fund will be put together to provide help.

Inner London areas have been submitted for consideration. Hamburg, Marseilles, Rotterdam could also benefit.

Bavarian N-plant construction to halt

By David Marsh in Bonn

CONSTRUCTION work on West Germany's planned nuclear reprocessing complex at Wackersdorf in eastern Bavaria will stop today as a prelude to an official decision to abandon the project.

The decision was announced by DWK, the Wackersdorf operating company owned by electricity utilities. It was welcomed yesterday by Mr Rudolf von Bennigsen-Foerder, chairman of energy group Veba, which has negotiated an alternative agreement to make use of spare reprocessing capacity at France's plant at La Hague in Normandy.

The move to stop work at Wackersdorf comes after DM 2.6bn (\$813m) has already been spent on the project. The Bavarian plant was to have come into operation from the mid-1990s but has been stymied by rising costs and political opposition. Although DWK yesterday put the total planned cost of the plant at DM 7.7bn, Veba believes the true cost would be DM 10bn.

France has offered to reprocess spent nuclear fuel at La Hague from the end of the 1990s at a price of only DM 1,500 per kilogram (in current

D-Marks), compared with the anticipated DM 4,000 price for reprocessing at Wackersdorf.

Veba aims to take a 49 per cent stake in the planned UP-3 section of La Hague, with 51 per cent owned by the French state nuclear fuels group Cogema.

The Bonn government is due to formalise plans in the next few weeks to reprocess spent German nuclear fuel abroad rather than at Wackersdorf. Mr von Bennigsen-Foerder confirmed that British Nuclear Fuels had also made an offer to reprocess German spent fuel at Britain's Sellafield plant. This price offered by the British was slightly below the suggested Cogema price, Mr von Bennigsen said.

West German electricity utilities have been sending spent nuclear fuel to La Hague since 1976.

Reprocessing separates spent uranium fuel into reusable uranium and plutonium. However, the economics of reprocessing have been undermined by the disappearance of utilities' need for plutonium, caused by the shelving of worldwide plans to build plutonium-burning fast breeder reactors.

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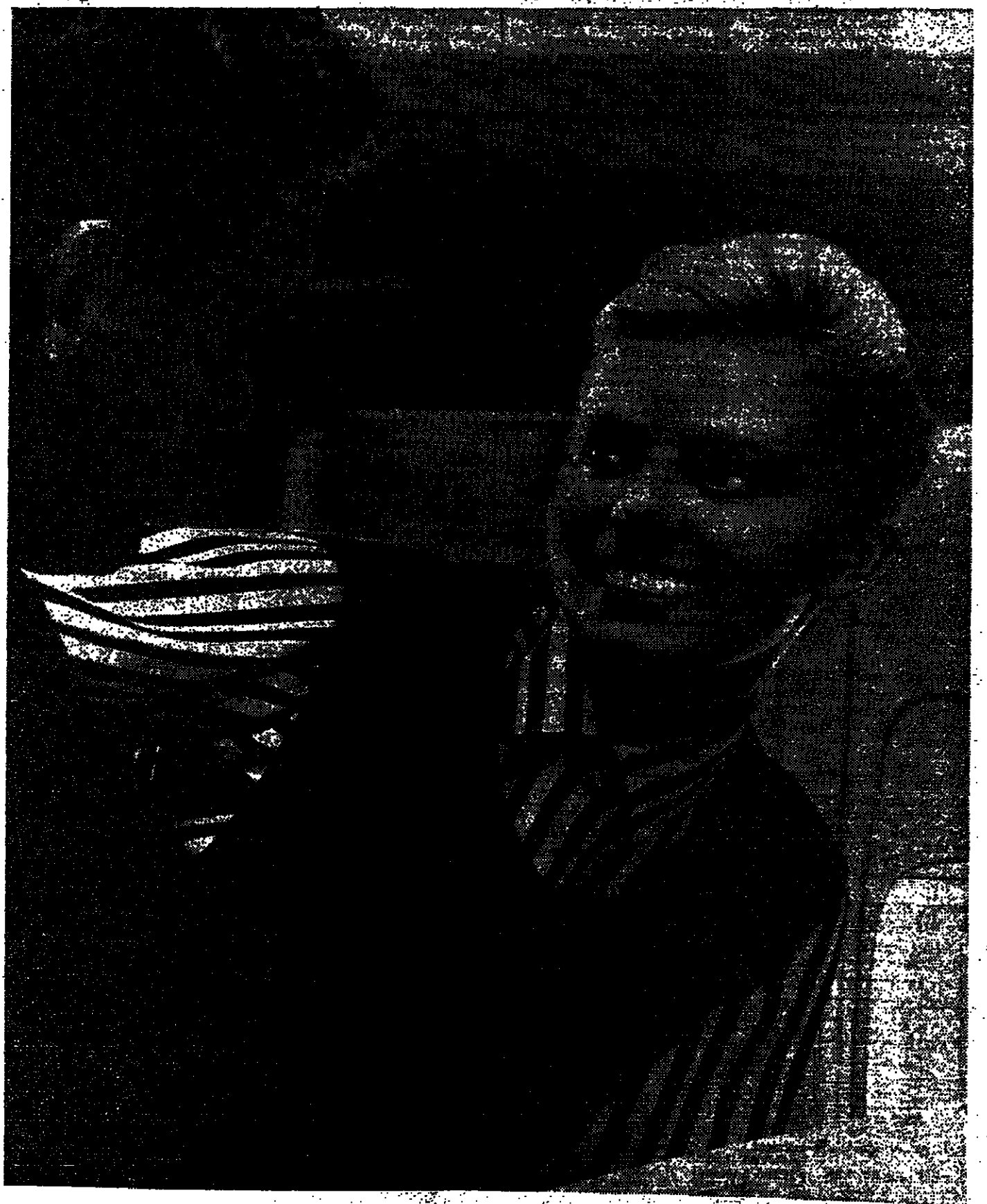
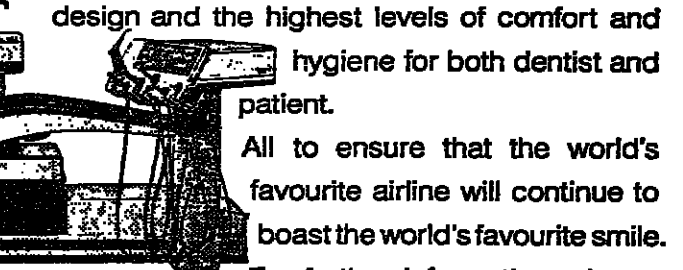
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THE NATO SUMMIT

Alliance stance on missiles falls short of Warsaw Pact proposals

By David White in Brussels and Judy Dempsey in Vienna

THE NATO summit's hard-won compromise on the short-range nuclear weapons dispute, finally honed and tightly circumscribed, falls well short of the sweeping negotiating proposals put forward by the Warsaw Pact last month.

The so-called modernisation of current Nato weapons, Moscow's main bugbear, remains on the agenda in the same terms as before, even though Nato spells out that decisions on deploying a successor to its Lance missiles will not be faced before 1992.

The Comprehensive Concept, a 12-page document that took two years and much sweat to prepare, does commit Nato to further reductions in nuclear warheads as a result of modernisation.

Nato officials said these cuts could involve close to 2,000 artillery shells and bombs, nearly half the total number of US tactical warheads left in Europe after intermediate-range missiles have been

removed. But the onus is put on Moscow to make reductions first in its approximately 1,500 short-range missile launchers based in Europe, following its already announced cut of 500 out of an estimated 10,000 warheads. These cuts would have to be made before any mutual negotiated short-range nuclear forces (SNF) reductions are in force.

Negotiations which Nato is willing to contemplate would be limited to US and Soviet land-based missiles. This would exclude nuclear-capable artillery, which the Soviet Union wants included.

It also excludes air-launched weapons, a key pillar of Western nuclear capability. The Warsaw Pact wants nuclear-capable aircraft on the negotiating table. Under the mandate for the Vienna arms talks, any military aircraft are eligible for discussion.

But both France and Britain want their nuclear strike jets

kept out of any arms control measures. UK officials said they were confident the 15 per cent cut in Nato fighter numbers proposed by President Bush would not threaten these capabilities.

French ground-based missiles, which include intermediate as well as short-range weapons, would also fall outside the scope of any talks.

By specifying that negotiations be undertaken by the US, in consultation with allies, Nato ruled out the wider participation sought by the Warsaw Pact.

The Nato document sets tight conditions on timing: no nuclear talks until conventional cuts are "under way" and no nuclear cuts before conventional reductions are "implemented".

The trick performed by President Bush to reconcile clashing Nato positions has been to bring forward expectations for a conventional arms pact. Mrs Thatcher said the aim of an

agreement in six months to a year was "very optimistic".

But optimism over Vienna prospects has already been on the rise because of Warsaw Pact proposals quite close in some respects to Nato's.

Although the Nato has ruled out the total elimination of ground-based nuclear arms in Europe "in the present circumstances and as far as can be foreseen", the formulae announced yesterday left some important ambiguities.

Mrs Thatcher admitted that there was no precise definition of "under way", the phrase describing the stage of conventional disarmament that would allow nuclear talks to start.

Also unclear is how rigorously the "implementation" of conventional arms cuts - which would trigger any actual cuts in nuclear forces - is defined.

Finally, there is the question of how long a "third zero" or abolition of tactical nuclear weapons, is ruled out.



Seeking a balance: President Bush answers questions yesterday

Triumphant Bush seizes the high ground for US

By Peter Riddell, US Editor in Brussels

PRESIDENT Bush yesterday tried hard to avoid appearing triumphant, not always successfully. He had just rounded off the biggest international triumph of his presidency.

By contrast, Mrs Margaret Thatcher, the British Prime Minister, did not dissemble her pleasure at the communique's wording on short-range nuclear missiles and the implicit concession by West Germany.

Yet the US can feel very satisfied with the outcome. Having accepted several weeks ago that a decision on short-range missile modernisation would be postponed until 1992, the US has achieved all its main objectives, as well as gaining the initiative for once in East/West exchanges.

In particular, there remains a commitment to retaining both conventional and nuclear forces in Europe - and a mix of the latter. As the US wished, the communique sets out a clearly defined link between conventional force reductions and action on short-range missiles - the position which Mrs Thatcher has only accepted in the past week or so. Moreover, any eventual reduction in short-range weapons will be "partial", ruling out the so-called third zero.

Moreover, thanks to the US policy shift of the past week a new impetus has been given to the Vienna conventional force talks. Even if President Bush's accelerated timetable may be optimistic, the prospect of implementation by 1993 has been the key to achieving the missile compromise.

It is easy both to underestimate and to over-estimate what has happened. Such has

been the succession of arms control initiatives in the past two years that the long period of stalemate in both conventional and nuclear negotiations tends to be forgotten. If the US proposals form the basis of an eventual agreement, the familiar post-war defence picture in western Europe will have been transformed.

There is also the danger of jumping too far ahead, of regarding Mr Bush's proposals on conventional arms as the prelude to a US disengagement from Europe. But as President Bush stressed yesterday: "America is and will remain a European power." He made a point of noting that the Joint Chiefs of Staff, as well as General John Galvin, the Nato commander in chief, had provided assurances that the package was sound militarily.

Indeed, the suggested 30,000 troops cut in US forces in Europe is not an arbitrary figure. A senior administration official conceded that, if there was a larger reduction than that, the forward line in central Europe could not be manned sufficiently to carry out the fundamental Nato strategy of forward defence.

Mr Bush said the aim was once again combined with a less threatening Soviet presence in Europe can create a stronger basis for engagement in Europe over the long haul - opening up opportunities for greater US/European co-operation.

So, while in US eyes, the summit communique marks an important evolution in US/European and East/West relations, it is not intended to mark the beginning of the end of the alliance.

Gorbachev reveals 'real' defence bill

By Quentin Peet in Moscow

PRESIDENT Mikhail Gorbachev yesterday announced for the first time a figure for the "real" level of Soviet defence spending - putting it at Roubles 77.3bn, or \$11.6bn at the official rate.

The figure is still much lower than Western estimates of total spending - put at some Roubles 120bn, including a substantial allowance for military-related research and development.

The Soviet leader also gave no clue as to how it had been calculated, given the entirely arbitrary fixed prices used within the centrally-planned Soviet economy.

However, it is almost four times the level of the last previously stated defence budget of Roubles 20.3bn, although that was admitted to cover only personnel costs, material and technical supplies.

Mr Gorbachev said the Roubles 77.3bn total would be cut by 14 per cent over the next two years, or by some Roubles 10bn, as a result of the unilateral defence cuts he announced last December.

He also said that a programme had been worked out for cuts in the space budget, although not on the same scale.

"We must have in mind that thanks to the most sophisticated space equipment, we develop new technologies," he said. That was the only justification for spending so much on the space programme.

His announcement to the new Congress of People's Deputies in Moscow was met with loud applause, as the next step in revealing the full details of the defence budget.

It would mean that about 15 per cent of the Soviet state budget went on defence, on the basis of the 1989 budget approved last year by the Supreme Soviet.

However, Western analysts say they do not believe the new figure yet reflects the full extent of research and development spending.

Mr Gorbachev has promised that a full analysis of defence spending, or White Paper, will be published in the course of the year, but that the problems of calculating it in a comparable way to Western budgets were causing delays.

'Unique opportunity' to enhance European stability

FOLLOWING are extracts from the official declaration of the 16 Nato allies at the end of the two-day summit.

IN THE Soviet Union, important changes are under way. We welcome the current reforms that have already led to greater openness, improved respect for human rights, active participation of the individual and new attitudes in foreign policy. But much remains to be done. We still look forward to the full implementation of the announced changes in priorities in the allocation of economic resources from the military to the civil sector. If sustained, the reforms will strengthen prospects for fundamental improvements in East-West relations.

We also welcome the marked progress in some countries of Eastern Europe towards establishing more democratic institutions, freer elections, and greater political pluralism and economic choice.

We want to overcome the painful division of Europe, which we have never accepted. We want to move beyond the post-war period. Based on today's momentum of increased co-operation and tomorrow's common challenges, we seek to shape a new political order of peace in Europe.

The Alliance's long-term objectives are to ensure that wars and intimidation of any kind in Europe and North America are prevented... to establish a new pattern of relations between the countries of East and West, in which ideological and military antagonism will be replaced with cooperation, trust and peaceful competition.

Moscow urged to make unilateral missile cuts

AN EXTRACT from Nato's "Comprehensive Concept of Arms Control and Disarmament" adopted yesterday:

IN VIEW of the huge superiority of the Warsaw Pact in terms of short-range nuclear missiles, the Alliance calls upon the Soviet Union to reduce unilaterally its short-range missile systems to the current levels within the integrated military structure.

In this spirit, the Allies will make every effort... to bring... conventional negotiations to an early and satisfactory conclusion. The US has expressed the hope that this could be achieved within six to twelve months.

Once implementation of such an agreement is under way, the US, in consultation with the Allies concerned, is prepared to enter into negotiations to achieve a partial

reduction of American and Soviet land-based nuclear missile forces of shorter range to equal and verifiable levels.

With special reference to the Western proposals on CFE tabled in Vienna, enhanced by the proposals by the US at the May 1988 summit, the Allies concerned proceed on the understanding that negotiated reductions leading to a level below the existing level of their SNF missiles will not be carried out until the results of these negotiations have been implemented. Reductions of Warsaw Pact SNF systems should be carried out before that date.

As regards the sub-strategic nuclear forces of the members of the integrated military structure, their level and characteristics must be such that they can perform their deterrent role in a credible way across the required spectrum

and armoured troop carriers will be based on proposals already tabled in Vienna; definitional questions on artillery pieces remain to be resolved;

expand our current proposal to include reductions by each side to equal ceilings at the level 15 per cent below current Alliance holdings of helicopters and of all land-based combat aircraft in the Atlantic-to-the-Urals zone, with all the withdrawn equipment to be destroyed;

propose a 20 per cent cut in combat manpower in US stationed forces, and a resulting ceiling on US and Soviet ground and air force personnel

stationed outside national territory in the Atlantic-to-the-Urals zone at approximately 275,000. This ceiling would require the Soviet Union to reduce its forces in Eastern Europe by some 325,000. US and Soviet forces withdrawn would be demobilised;

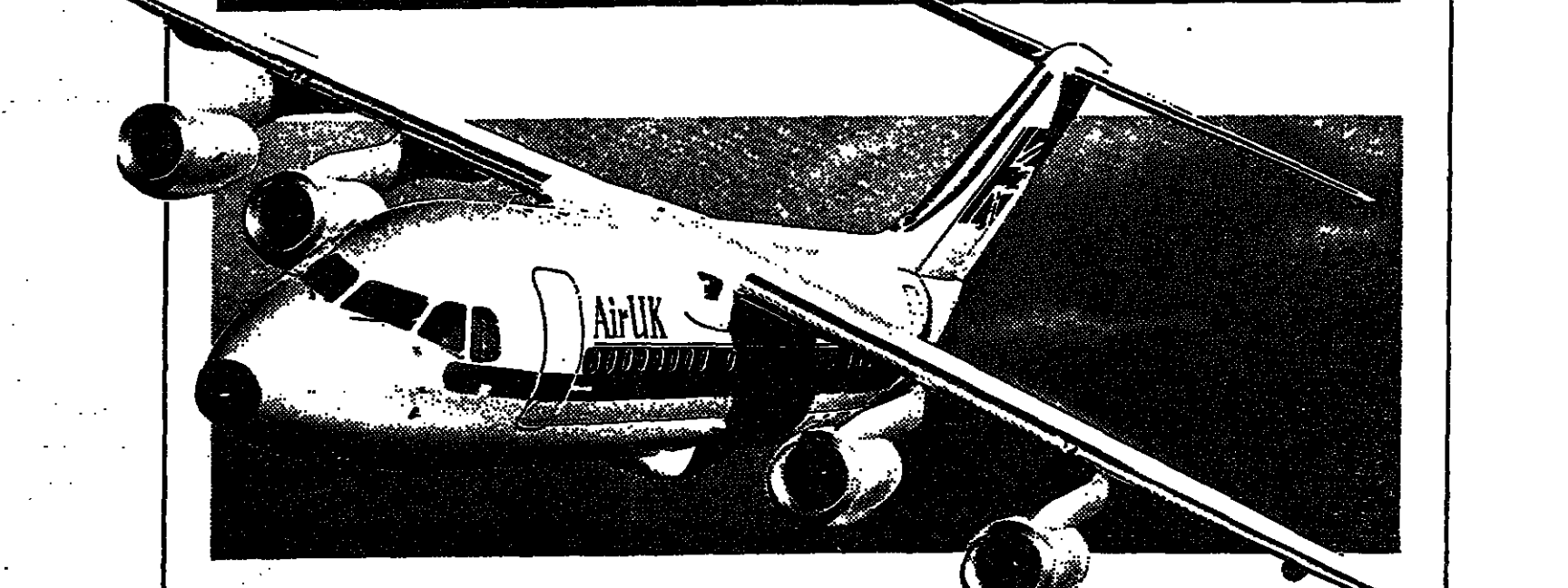
seek such an agreement within six months to a year and accomplish the reductions by 1992 or 1993. Accordingly, we have directed the Alliance's High Level Task Force on conventional arms control to complete the further elaboration of this proposal, including its verification elements, so that it may be tabled at the beginning

of the third round of the CFE negotiations, which opens on September 7, 1989.

We consider as an important initiative President Bush's call for an "open skies" regime intended to improve confidence among states through reconnaissance flights, and to contribute to the transparency of military activity, to arms control and to public awareness.

We will continue to use arms control as a means to enhance security and stability at the lowest possible level of armed forces, and to strengthen confidence by further appropriate measures.

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CORPORATE FINANCE The Financial Times proposes to publish this survey on 12th July 1989. For a full editorial proposal and advertisement details, please contact: DAVID REED on 01-873 3461 or write to him at: Number One, Southwark Bridge, London SE1 9HL.

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BANKING AND FINANCE IN THE NETHERLANDS

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NL-1017 CA
Amsterdam.
Fax No: Amsterdam
(020)235591

Convocation for the General Meeting of Shareholders of DODOLA N.V. starting at 2 pm on June 20, 1989 at Novotel, Nijmeegseweg 90 in Venlo Holland

The Agenda and Annual Accounts are available at the offices of the company as well as at the offices of Pearson, Holding & Pierson, 112, in Amsterdam and in London 40 Basinghall Street, London, EC2V 5DE, where two copies can be consulted. Holders of bearer shares wishing to attend the meeting should deposit at the above mentioned bank branches their shares or a certificate of deposit from a banking institution, not later than June 15, 1989. The deposit receipts issued by these bank branches will give access to the meeting.

Board of Management
Venlo, May 28, 1989.

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By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

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BANQUE INTERNATIONALE A LUXEMBOURG
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EUROPEAN NEWS

Higher stakes sharpen campaign in UK

Britain's future in Community is back on domestic agenda, writes Philip Stephens

ELECTIONS to the European Parliament are meant in Britain to be low-key. Since the first direct elections in 1979, Europe's parliamentarians have been treated by the British electorate with studied indifference — and frequently contempt.

The stories favoured by the media are those chronicling the expense-account excesses of MEPs or alleged conspiracies cooked up with the Brussels Commission to impose "foreign" rules on British life.

Only a third of eligible voters bothered to vote in 1979 and 1984, against an average of 60 per cent for Britain's European partners. So members of the Strasbourg Parliament and MPs and peers at Westminster have been caught unawares by the unaccustomed vigour of the political debate ahead of next month's poll.

There has not been a behavioural revolution. Canvassers trudging around the Euro constituencies (78 in England, Wales and Scotland and three in Northern Ireland) have not yet found that an explosion in foreign holidays has turned the British into enthusiastic Europhiles. Many believe voter turnout this year may rise but even the optimists are not predicting more than 40 per cent.

There is, however, a perception among party leaders that in both the domestic and in wider European perspective, the stakes will be much higher on June 15 than in the two previous elections.

The approach of 1993 and the implications of the single European Act — providing for majority voting in the Council of Ministers across a range of issues — have put Britain's future in the EC back on the domestic political agenda.

The poll will also provide the first nationwide test of whether the Labour opposition's two-year policy review can bring to an end its decade in the wilderness and establish it as a credible alternative to Mrs Margaret Thatcher.

Mr Neil Kinnock, the Labour leader, hopes that a strong performance next month will demonstrate popular approval for a marked shift from the left to the centre in his party's domestic and international policies.

The most striking feature of the campaign so far, however, has been the split in Conservative ranks over how to react to the pressures for closer European integration. The twin poles have been mapped out by Mrs Thatcher and by Mr Edward Heath, the former Prime Minister who took Britain into the EC in 1973.

Mrs Thatcher's vision is of a European free trade area with a minimum of regulation and

EUROPEAN ELECTIONS



bureaucratic interference and with little if any loss of sovereignty for Westminster. Mr Heath, as he made clear earlier this week, is an enthusiastic federalist who believes that the eventual goal of a United States of Europe is as inevitable as it is essential.

Those positions represent the extremes. There are many in Mrs Thatcher's cabinet who share her suspicions of Brussels but, none the less, would prefer her to adopt a more positive tone. They are against the push for a closely-defined social dimension to the single market but in favour, for example, of early British membership of the European Monetary System's exchange rate

mechanism.

Equally, the pro-European faction within the party tends to coalesce more around the views of Mr Michael Heseltine, the former Defence Minister rather than those of Mr Heath.

Mr Heseltine, a contender for the future leadership of the Conservatives, is not a federalist, but he does argue for much greater readiness to share sovereignty with the rest of Europe. His fear is that if Britain remains obdurate, it will be left behind in a "two-speed" Europe.

The divisions have left many of the 45 Conservative MEPs bemused and, often annoyed, the most prominent, Lord Plumb, is also President of the Parliament and has been sharply, if obliquely, critical of Mrs Thatcher's strident defence of British sovereignty.

Mr Kinnock is confident that Conservative confusion will bolster his party's prospects. Labour presently holds 32 constituencies, but is hoping to win at least five and possibly seven or eight from the Conservatives. Among those targeted are Cleveland and North Yorkshire, Humberside, Leicestershire, Scotland South and at least one of the London constituencies.

Opinion polls suggest it has a good chance, putting its share of the vote at around 40 per cent — level with the Conservatives and 4.5 points higher than in 1984.

The collapse of the centre parties has provided a welcome fillip. Mr Paddy Ashdown's Democrats remain a national force, but the first-past-the-post voting system looks likely to ensure that at very best the Democrats might win one seat. Dr David Owen's SDP has retreated from the national stage, and will contest only about a fifth of the seats.

Among the other smaller parties, only the Scottish Nationalists and the Ulsterists and SDLP in Northern Ireland, who already hold four seats between them, look likely to be represented.

Mr Kinnock's policy review has buried Labour's long-held opposition to the Community — along with its commitment to unilateral nuclear disarmament and wholesale nationalisation of major industries. That does not mean that the party now embraces unequivocally a move towards closer integration with the rest of Europe: its rather tortuous position over the EMS indicates otherwise.

But with rising interest rates emphasising the precarious economic outlook, Mr Kinnock sees an opportunity to highlight contrasts between Britain's position and that of its richer neighbours.

Local polls point to big change in Italy

By John Wyles in Rome

JUST OVER a million Italian voters in communal elections have offered an intriguing trailer to this month's European poll by handsomely rewarding the Christian Democrats and the Socialists for their recent slaughter of the country's 48th post-war government, while at the same time accelerating the Communist party's decline.

If these results are repeated on June 18, regarded in Italy as a near-general election because of the political crisis, they would mark an historic overtaking of the Communists (PCI) by the Socialists and should smooth the path to reforming the five-party coalition led by the Christian Democrats (DC), while doing nothing to dampen their rivalry with the Socialists.

Mr Giovanni Spadolini, the Senate president, begins the "exploratory" task today of sounding out all parties on the next government's composition, leadership and programme.

The results of the voting on Sunday and Monday in 165 Communes, mainly in southern Italy and Sicily, need to be interpreted with a certain degree of caution both because of the influences of local circumstances.

Nevertheless, the robustness of the Christian Democrat vote and the fact that the Socialists captured a higher share of the poll than the PCI for the first time in these Communes will give added momentum in the European campaign.

The DC took 39.6 per cent of the vote compared to 36.9 in the same Communes five years ago and 38.6 per cent in the 1987 general election. The Socialists surged from 17 per cent to 19.1, having taken 14 per cent in these districts in 1987. The Communists, by contrast, slid from 22.1 per cent to 16.9, having taken 22.6 per cent in the general election.

Even allowing for the fact that PCI votes in Reggio Calabria were pooled in an alliance with the Radicals and Proletarian Democrats, the PCI would still seem to have ceded its traditional second electoral place to the Socialists.

Profile: The Netherlands
Consensus on Europe means domestic issues prevail

By Laura Raun in Amsterdam

WHEN Dutchmen cast their ballots in the European elections on June 15 the vote will be seen as much as a primary for national elections in September as a referendum on European issues.

National issues have mostly dominated European ones since direct European elections began in 1979. So much consensus on Europe exists among Dutch political parties that domestic issues must provide the dividing lines.

The trend is even more pronounced this year because of the general election on September 6.

"National and European issues are linked," declares Mr Piet Dankert, candidate for the Labour Party. "The electorate

wouldn't understand if they were separate."

But Mr Gijb de Vries, candidate for the Liberal Party, argues that European issues demand European parties. "The campaign is waged along obsolete lines," he complains.

Nevertheless Dutch candidates desperately hope the "Euro-phoria" of the past few years will translate into a demand for greater democracy. In Strasbourg greater democracy means only one thing — more power for the European Parliament.

"The real fight is between the forces for and against genuine European parliamentary democracy," contends Mr de Vries.

The Netherlands has 25 seats in the European Parliament:

Socialists 9, Christian Democrats 8, Liberals and Democrats 5, Rainbow (small left-of-centre parties) 2 and Non-aligned 1. To win a seat at least 4 per cent of the vote is needed.

Political parties will pore over the results on June 18 for guidance in the general election campaign, called after the collapse of Mr Ruud Lubbers' Christian Democrat-Liberal coalition on May 2.

If elections were held now the Christian Democrats, perennial swing party in every postwar government, would remain the same, according to a public opinion poll published earlier this week.

Labour, largest of the opposition parties, would gain three seats and become the biggest party in the Dutch Parliament.

The Liberals, junior partners in the caretaker government, would lose nearly a third of their 27 seats.

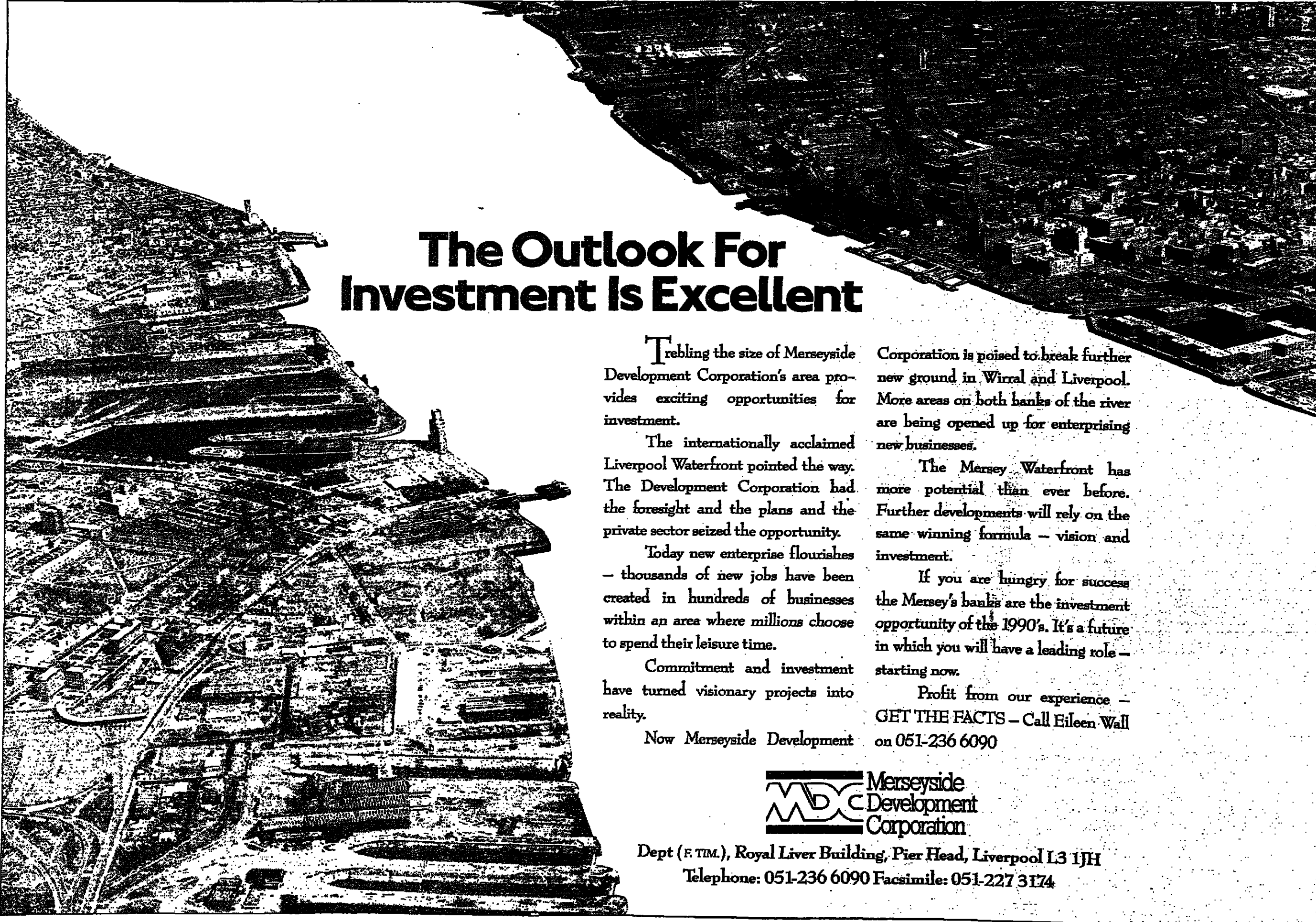
A similar picture is expected to emerge in the European elections. The national election should help draw voters and that could help Labour, according to Mr Dankert.

General expectations are that turnout could climb to around 65 per cent from 50.5 per cent in 1984 although that would still be lower than the 62.5 per cent in 1979. The promise of a barrier-free Europe has brought the election closer to the people and generated more interest than in 1984. Tangible issues such as environmental pollution, social security, border controls and broadcasting are easier to grasp than intan-

gible ones such as agricultural reform and community finances which dominated the last election.

A striking degree of consensus prevails among major Dutch parties on European issues. They generally favour more power for the European Parliament, European economic and monetary union, a central bank, common foreign policy and an international approach to the environment. Only the small parties to the left and right of centre oppose full European integration as outlined in the Single European Act.

Many MEPs believe the European Parliament should move to Brussels to ensure better media coverage and foster greater public awareness.



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OVERSEAS NEWS

Local polls point to big change in Italy



Takeshita (centre) meets former premiers Fukuda (left) and Suzuki to discuss the succession.

Japan's strongmen subdue stirrings of political reform

JAPAN'S ruling Liberal Democratic Party is withdrawing into its shell. The shock of the Recruit affair has prompted party leaders to talk loudly of the need for political reform. But they are quietly taking steps to make sure the impact of reform is kept to a minimum. Leading the conservative reaction is Mr Noboru Takeshita, the Prime Minister, who a month ago announced his intention to resign to take responsibility for the affair. Far from losing ground, Mr Takeshita has enhanced his position in the leadership by getting into a position to nominate Mr Souseike Uno, the Foreign Minister, as his successor. Even though opinion polls show public support is still falling, the party is batten down the hatches in the hope that public protest engendered by Recruit will blow itself out. LDP leaders will not have to wait long to see if they are right - elections to the upper house of the Diet (parliament) are due to be held at the end of July and elections to the lower house next year. Party leaders breathed a sigh of relief at the conclusion this week of the public prosecutor's investigation into the scandal. The end of the inquiry should put an end to the allegations of bribe-taking which have rocked the party since the affair erupted last summer. There is no suggestion that LDP leaders put pressure on Mr Yasuhiro Yoshinaga, the chief prosecutor, to cut short his investigation. He interviewed hundreds of people over 260 days. The investigation led to the indictment of 12 people on charges of bribery and a further four on allega-

tions of breaking political fund-raising laws. But a lack of evidence limited Mr Yoshinaga to questioning just two politicians who later were indicted. He was also hampered by a need to finish the investigation before the start of the campaign for July's election and by a law which exempts Diet members from being held for questioning while the Diet is in session. Opposition politicians and commentators protested that the prosecutor had not even approached Mr Yasuhiro Nakasone, the former Prime Minister, during whose administration much of the alleged corruption took place. **Stefan Wagstyl on indications that the LDP will emerge from scandal with its power intact** The end of the investigation could not have come at a more convenient time for the LDP. Earlier this week, Mr Nakasone announced he was resigning from the party to take political responsibility for the scandal. By the end of this week the party hopes to confirm that Mr Uno will be the new Prime Minister. Everything has come together to aid the LDP's attempts to draw a line under the affair. Things looked very different a month ago. When Mr Takeshita announced his proposed resignation it seemed possible that the LDP might even break apart. There was talk of drastic change - including swift elec-

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Japanese discount rate rises to 3.25%

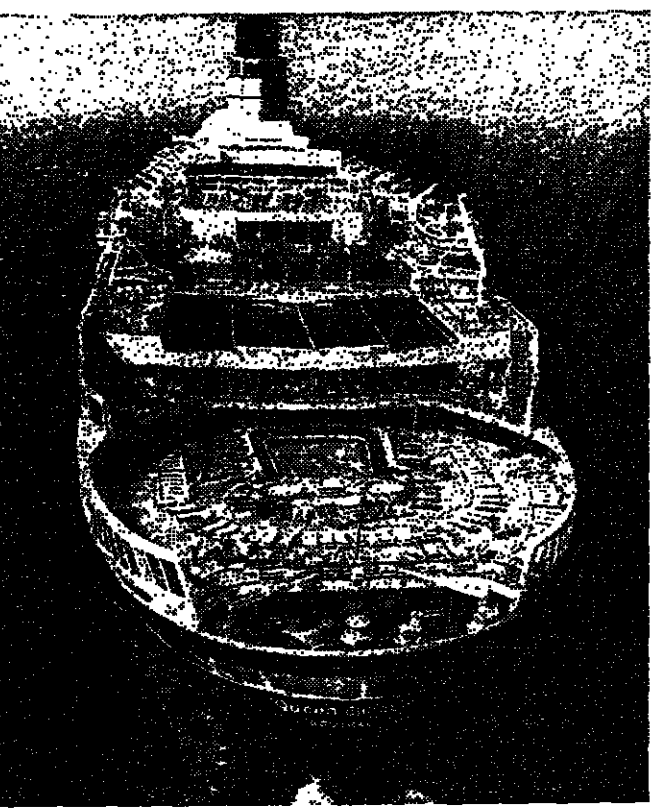
By Ian Rodger in Tokyo

JAPANESE Government officials yesterday made clear that they would avoid any further increase in the Official Discount Rate for as long as possible and almost apologised for the widely expected decision to raise the Bank of Japan's official rate today by 0.75 of a percentage point to 3.25 per cent. Mr Tatsuo Murayama, the finance minister, said that he was confident the rise, which was higher than expected, would not set off a round of competitive rate increases among industrialised countries, but he feared that a further rate hike would have "serious consequences." The announcement was sparked to some extent by the Government's concern over the recent weakening of the yen. However, it had no noticeable effect, as the yen continued to drop against the dollar on foreign exchange markets. The dollar closed in Tokyo at ¥143.10, up ¥0.25. Other markets reacted calmly because the announcement had been expected. It was the first change in the ODR since February, 1987, when the last of a year-long succession of reductions was made to stimulate the Japanese economy following the Plaza agreement in September, 1985, to revalue the yen. The Japanese authorities have maintained an easy money policy since then to contribute to world economic expansion and reduce the country's huge trade surpluses. Both Mr Murayama and Mr Satoshi Sumita, governor of the Bank of Japan, said the increase was not intended to undermine the easy money stance. "The Government of Japan will continue to abide by its basic policy of non-inflationary, sustained economic growth led by domestic demand, with a view to the improvement of national welfare and international co-ordination," Mr Murayama said. They said it was partly a preventive move in the face of signs of inflation being imported, notably because of the recent weakening of the yen and higher oil prices.

Japanese queue for QE2 high life

Michiyo Nakamoto explains the appeal of a ship that stays in port

IMAGINE paying more than \$600 for one night in a hotel room with no bath and no windows. In Japan, people are queuing up for the privilege, because the hotel is called the Queen Elizabeth 2. It has been widely noticed that the Japanese, who have always been immensely curious about not to say highly envious of the luxurious lifestyle of Europe's wealthy, are now using their extraordinary financial resources to buy a taste of the high life. Already they have bought French vineyards, transported a Scottish castle across Siberia and brought the legendary Orient Express over for a leisurely grand tour of the country. Now it is the turn of the Queen Elizabeth 2, the Cunard luxury liner, to capture the imagination of Japan's newly rich. The liner is now in its final week in the port of Yokohama after being chartered by a Japanese group for more than two months as a floating hotel. It is part of the celebrations of the 100th anniversary of the city of Yokohama and the 130th anniversary of the opening of the port. Its stay, from March 31 to June 3, is the QE2's longest, and no doubt most profitable, in one port. "Those acquainted with the pleasures of luxury cruising may wonder why anyone would want to stay overnight on a ship which will not sail, even if it is the QE2. For the many Japanese, however, who have been thronging the ship, it is a not-to-be-missed, once-in-a-lifetime opportunity, even at prices ranging from ¥70,000 (\$611) for a single room to ¥380,000 (\$2,773) per person for a penthouse suite. No matter that the ship will not be going anywhere. There is the casino, the Las Vegas-type shows, the dancing and dining in authen-



Luxury berth in the Far East on a ship going nowhere

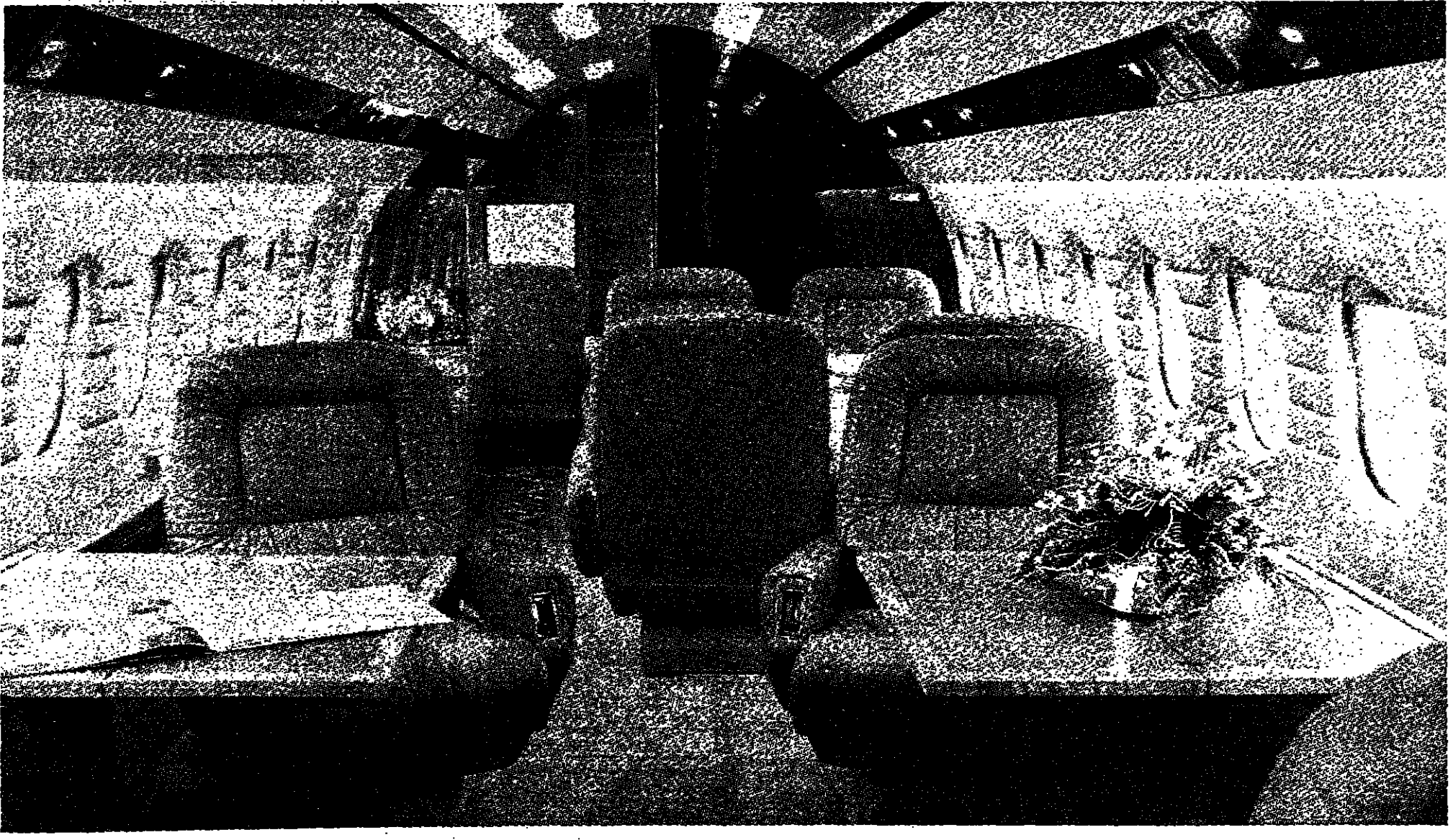
tic British high-society style. "It is an extravagance," said an elderly man staying overnight with his wife in one of the more expensive suites. "But the experience will become a precious memory in our old age." Elderly couples from all over the country, young office workers and groups of middle-aged women have flocked to the ship daily for a fleeting experience of a lifestyle that will remain no more than a dream to most of them. Even if they are rich, few Japanese can afford to take enough time off for a cruise and many have come to the QE2 delighted at the thought of experiencing in one day the Japanese holiday style of see, buy and run. Although most stay for only one night, they are sure to bring suitcases stuffed with more costly outfits than they have time to wear, and plenty of cash to keep the shops and casino going full steam.

For the overnight package, checking in begins at 4pm and guests have to be out by 10am the next day. There has been some grumbling about this, and the lack of windows and showers in many of the rooms, but on the whole the response has been positive enough to keep the reservations streaming in. The Queen Elizabeth suite, the most popular of the penthouse suites, is already booked for most nights. Many Japanese cannot even spend a night, and take a three-hour lunch tour with just about enough time to do a bit of shopping. "They forget about everything else and go straight on to Harrods," says Captain Alan Bennell. The cost of special events is also steep, ranging from ¥5m for dinner in the Princess Grill to ¥39m for a party in the Queen's Grill, including one night's stay. This does not seem to have dampened interest. Full ship rentals at ¥123m a day have been booked by five companies. "Japanese businesses are making a lot of money," one observer noted. "It is better to spend it and give employees and clients a good time than to give it up to the taxman." Two more Japanese groups have chartered the ship and its stay in Yokohama may be starting a trend that could win the company further lucrative contracts. "I think the Japanese are waking up to the fact that cruising is good," says Captain Bennell. Certainly Cunard has found that renting to the Japanese is good. The total worth of contracts over the next two years signed by the company with the Japanese is estimated at over \$100m. "It is certainly more profitable than plying the Atlantic," one observer in Tokyo noted.

Tasmanian Greens see red over Liberals

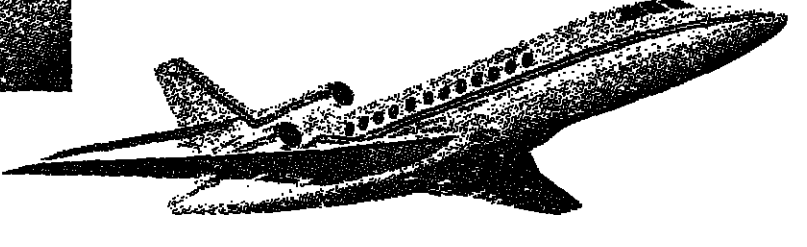
TASMANIA, Australia's smallest state, faces a torrid month of post-election recrimination after an historic pact between Labor party MPs and a group of "Green" independents failed to win them the state government, writes Chris Sherwell in Sydney. The Greens, headed by the conservationist Dr Bob Brown, won five seats in the state's election earlier this month, giving them the balance of power. It is thought to be the environmental movement's first such achievement anywhere outside West Germany. On Monday, after several days of exhausting negotiations, the five and Labor's 13 MPs announced a notable understanding which would give them a bare majority in the 35-seat lower house. But Mr Robin Gray, the Liberal party leader, refused to resign his office, despite winning only 17 seats. He advised the Governor to appoint him to head a minority government and the Governor accepted. This has left Tasmania's future in the hands of the state parliament, which is due to resume sittings on June 28. The Greens say they will move a motion of no confidence. If passed, the Governor must consider a Labor-led alternative or a fresh election. The state election represented a victory for the Greens, who previously had only two seats, and a setback for Mr Gray's Liberals. It was also seen as a pointer to electoral trends elsewhere in Australia.

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OVERSEAS NEWS

Under old management: Chinese business resumes

Lynne Curry and Robert Thomson on investment

CHINA could not afford to rely on Western countries and should turn to the Soviet Union for trade and investment links, according to a speech reportedly made by Yao Yilin, a conservative member of the Communist Party recently.

Yao, a member of the politburo standing committee and a vice-premier, was reported by a pro-Peking Hong Kong newspaper as telling senior Chinese government officials that the Premier, Li Peng, wanted to concentrate on developing links with the Soviet Union, and had already appointed a special negotiating team.

While diplomats cautioned that the article could have been planted by one of Li's many opponents, the report compounds the uncertainty in the minds of foreign companies doing, or planning to do, business with China.

The speech would also confirm Li's reputation as a man suspicious of the West and warm towards the Soviet Union.

Li Peng was educated as an engineer in the Soviet Union, speaks Russian, and is known to have a love of grand Soviet-style industrial projects.

The same Hong Kong report said China had agreed to buy four nuclear plants from the Soviet Union.

The large pro-democracy demonstrations, declaration of martial law and continuing political conflict have already caused a slowing of foreign investment, according to for-

Chinese bank credit is expanding sharply and is increasingly being diverted into capital construction, the State Statistics Bureau reported, writes Colina MacDougall. This is undermining the economic freeze launched last autumn to curb inflation, partly caused by extravagant building plans. The freeze cut state investment in the first four months of the year by yuan 1.1bn (£188m) to yuan 39.4 bn, but loans grew by yuan 6.4 bn to yuan 1061.5 bn. The Peking paper Economic Information called this an "alarming trend".

Chinese business people resident in Peking.

Japanese business delegations have been told by the Chinese authorities that their itineraries could not be organised, and, at the height of the disturbances a week ago, some foreign companies asked staff based in Peking to take holiday leave immediately - if possible outside China.

Arthur Andersen, the accounting firm, formally closed its office after martial law was declared but plans to re-open soon. IBM advised some employees already out of the country on training programmes not to return immediately, and arranged for staff to take holidays owing.

Most companies expect that doing business will be more difficult if the conservative

leadership maintains control. Bureaucrats throughout the country are more cautious about decision-making, though officials in progressive southern provinces are expected to try to ignore the power struggle in Peking.

A Western banker said the companies most affected in the short-term were those in the midst of contract negotiations. Chinese officials are uncertain whether investment policies will change and are keen to delay decisions.

A consultant from New Zealand who has lived in the capital for five years has advised several smaller companies that it is not worth their trouble pursuing projects in China at the moment. But he is convinced the bigger foreign companies will stay on unless the social unrest turns violent.

A spokesman for a large Japanese trading house said many Japanese companies had come to China expecting political instability, and the present problems would not yet have affected their plans.

The troubled business climate followed a year of strong investment growth, with new contracted investment in the first two months of this year, valued at \$860m - up from \$300m in the same period last year.

The number of contracts last year virtually doubled while the foreign funds used during the year amounted to \$9.8bn, a rise of 16.4 per cent. (These figures were provided earlier



Thousands flock to Tiananmen square in Peking to see the students' monument to democracy

this year by Li Peng.) In his speech, vice-premier Yao is reported to have said conditions were unsuitable for large-scale investment and borrowing from the US, Japan, and Hong Kong, the three largest investors, because China was a poor country and needed to re-adjust its investment strategy to make it "suitable for Chinese conditions". He said the country should "mainly talk to the Soviet Union".

The influence of conservatives such as Yao and Li has already been felt in the economy in recent months through a slow-down designed to counter high inflation.

The policy to decentralise control has, in part, been reversed, money supply has been tightened, and in some cases, Chinese partners in joint ventures have been unable to make payment deadlines. Still, not all foreign business people believe there will be a

slump in investment. These more optimistic observers argue that a distinction has to be made between politics and investment policy.

Several companies said the problems had given cause for contemplation about China's long-term importance in corporate plans, and signs that a more conservative leadership was unsympathetic to foreign companies would prompt an even more wide-ranging re-assessment.

HK legislators renew pressure for early poll

By John Elliott in Hong Kong

HONG KONG'S legislators yesterday called for the chief executive, who will run the colony when it reverts to Chinese sovereignty in 1997, to be directly elected by universal suffrage not later than 2003.

This is between four and nine years earlier than had originally been generally envisaged. It reflects growing concern in Hong Kong, following recent events in China, that defences must be erected to stop the Chinese government going back on its pledge that Hong Kong will enjoy a "high degree of autonomy".

These concerns will be aired by nearly 30 speakers during a two day debate of Hong Kong's legislative council starting today on the latest Peking-prepared draft of the post-1997 Basic Law which is to be put into its final form by the end of this year.

Many legislators are especially worried that the present draft would allow Peking unilaterally to impose China's own laws on the territory if Hong Kong was in a state of "emergency" - the word used by Li Peng, China's headline prime

minister, to describe the recent student demonstrations.

Dame Lydia Dunn, chairman of the colony's executive council, said last night that the student demonstrations and the Chinese government's response had "highlighted the crucial importance to Hong Kong of the one country two system concept", which envisages a separate economic and political system for the territory.

Last week the political leaders, who are members of the executive and legislative councils, abandoned past differences and called for the future legislative council to be 50 per cent directly elected in 1995, two years before the handover, and fully directly elected in 2003.

Yesterday they could not reach unanimity on what should happen before 2003 for the chief executive because only a minority of liberals want full direct elections in 1997. The majority are prepared for Peking to have a significant say in the first 1997 chief executive through a complex indirect electoral system.

Unpleasant welcome for Vietnamese boat people

By Our Hong Kong Correspondent

SEVERAL hundred Vietnamese boat people were last night being accommodated in driving rain on a remote Hong Kong island because the government can find nowhere else to put new arrivals.

This follows a dramatic increase in the boat people arriving in the colony, internationally regarded as a place of first asylum for the would-be refugees. More than 2,900 have arrived in the past three days, bringing the total to 14,000 since the start of the year.

"We simply have no covered accommodation left and it is important for the people in Vietnam to realise there is no room in Hong Kong," said Mr Michael Hanson, the government's refugee co-ordinator. The government believes the only way to stop the new arrivals is for people in Vietnam to realise there is no welcome for them in the colony.

He acknowledged that the key problem was that the colony's legislative council was not prepared to sanction any further expenditure on the boat people.

The new boat people would be taken to Hong Kong's Soho Islands and left on their own boats if these were seaworthy, or put ashore. They would only receive dry rations and water. "We hope they will sail on somewhere else, in which case we will mend their boats and give them food and water, in line with our established policy," Mr Hanson added.

West Bank murder shows growing threat from Jewish settlers

By Hugh Carnegie in Jerusalem

The death of a teenage Palestinian girl in an attack on a West Bank Arab village by Jewish settlers is the latest incident in a recent wave of violence involving settlers which is causing Israeli soldiers and politicians severe difficulties.

According to police and army radio accounts, the 16-year-old girl was killed and two others wounded when an armed group of theological students raided the village of Kif Harith on Monday, firing all

around them in revenge for the wounding of their rabbi in a stoning attack by Arabs.

Mr Yitzhak Rabin, Minister of Defence in the coalition government, yesterday condemned the attack as "an offence to Jewish values." Last night, 30 settlers were reported arrested in the search for the assailants.

The raid on the village, though more serious than most recent clashes, fitted a pattern of escalating confrontation between Palestinians and the 75,000 Jewish settlers in the

occupied territories. In recent weeks there have been dozens of cases of settlers smashing Arab property and often opening fire in retaliation, usually for having their cars pelted with rocks and stones.

Government ministers, including Prime Minister Yitzhak Rabin, have been quick to condemn settler attacks on the army and have called on the settlers not to take the law into their own hands.

But the settlers say the authorities are not doing enough to protect them from

Palestinian attacks. They call for abandonment of the government's peace plan, which they regard as a road to the end of Israeli control over the territories, and a much tougher crackdown on the militias.

It is here Mr Shamir faces an awkward dilemma. The settlers have made common cause in their stance with hardliners in his Likud bloc, led by Mr Ariel Sharon, the trade and industry minister, who are mounting a serious challenge to the peace plan and its proposal to hold

elections in the territories. Mr Shamir has always been a strong advocate of Likud support for Jewish settlement of the West Bank - or Judea and Samaria as they are known by their biblical names - as a historical right and as a buttress to Israel's security.

But he is now caught between this and his need to hold the support of his Labour partners in government and, crucially, the US, if his peace plan is to have any chance of success.

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City of Westminster. The City Council currently operates an IBM 3090/200E mainframe computer complex with 75 gigabytes of Direct Access Storage Device (DASD). It is the Council's intention to buy a computer processor and DASD storage capacity from its current level of 33 MIPS to 65/70 MIPS with 120 gigabytes of the DASD. Companies wishing to be considered for inclusion in a list of potential tenders for this project should write to the first instance to: General Manager, Material Supply Division, Westminster City Council, 16th Floor, City Hall, Victoria Street, London SW1E 6QP. Initial correspondence should include company profile, current accounts, recent trading history and details of relevant experience. Companies not forwarding this information are unlikely to be included on the list of tenders. It is anticipated that tenders will be invited during June 1989 from a restricted shortlist of companies responding to this advertisement. The closing date for the receipt of applications will be 16th June 1989.

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BARBADOS. The Financial Times proposes to publish a Survey on the above on 19 JUNE 1989. For a full editorial synopsis and advertisement details, please contact: NIGEL RICKNELL on 01-873 3447 or write to him at: Number One, Southwark Bridge, London SE1 9UL. FINANCIAL TIMES (LONDON) LIMITED, 15, BARRINGTON PLACE, LONDON EC4A 3DF.

CONTRACTS & TENDERS. BY THE INTER-AMERICAN DEVELOPMENT BANK. LOAN CONTRACT NO. 154/IC-GY. SUPPLY OF SUGAR FACTORY EQUIPMENT. Tenders are hereby invited from suppliers for the provision of factory equipment to be used under an Interest-Free Loan Programme. The Inter-American Development Bank (IDB) is partially funding this rehabilitation Programme through LO-154/IC-GY. Eligibility will depend on the IDB's assessment and will be determined in accordance with the rules applicable for the use of the Fund. Tenders are invited from firms which are from Regional or Non-Regional Member Countries of the IDB for the supply of and where necessary the supervision of installation and commissioning of the following equipment which is divided into lots indicated in the tender documents. Contractors would be bid following international competitive bidding, by the Guyana Sugar Corporation Limited through the Central Tender Board Committee of the Ministry of Finance. FACTORY EQUIPMENT. Items that require supervision of installation and commissioning: Lot A1 - Three (3) Multi-Stage Turbo-Alumina Dryers; Lot A2 - One (1) Multi-Stage Turbo-Alumina Dryer. Specifications contained in the tender documents permit offers of alternate equipment which have similar characteristics and provide equal performance and quality to those stated. Tender documents can be obtained from the office of C. Cassellman Inc., 77 Water Street, New York, N.Y. 10025, United States of America or the Guyana Sugar Corporation Limited, at the appropriate address below, against a non-refundable payment of 250 Guyana Dollars or equivalent in foreign exchange by Cheque drawn in favour of the Guyana Sugar Corporation Limited. The tenderer shall furnish in part of his tender, a tender bond in favour of the Guyana Sugar Corporation Limited in the value of 5% of the CIF tender price. Tender shall be in English, submitted in duplicate, and delivered in plain sealed envelopes, which in no way identify the tenderer, to the Chairman of the Central Tender Board Committee at the appropriate address below. Tender close at 14.00 hours local time on the 28th August, 1989. Tenders or representatives may be present at the opening of the tenders. THE Chairman, Central Tender Board Committee, Rehabilitation of Sugar Factories, Industrial Rehabilitation Loans Programme, c/o Ministry of Finance, State & University Street, GEORGETOWN, GUYANA. JEL BLACEMAN, Director Corporate Planning, Guyana Sugar Corporation Limited, 77 South Street, Georgetown, GUYANA.

COMPANY NOTICE. BHP. JULY DIVIDEND ANNOUNCEMENT. All shareholders of BHP are invited to attend the 1989 Annual General Meeting of the Company on Thursday, 19th July 1989 at 10.00 am at the BHP Head Office, 100 Williamstown Road, Melbourne, Victoria 3008. The agenda for the meeting is as follows: 1. Declaration of Dividend for the year ended 30th June 1989. 2. Approval of the Report of the Directors and the Auditors. 3. Election of Directors. 4. Election of Auditors. 5. Other Business. Shareholders who are entitled to attend the meeting should bring with them to the meeting their share certificates and evidence of their entitlement to attend. Shareholders who are unable to attend should appoint a proxy to attend on their behalf. The proxy form and instructions for completion are available from the Company Secretary, BHP, 100 Williamstown Road, Melbourne, Victoria 3008. The Company Secretary is also available to answer queries. The Company Secretary is also available to answer queries. THE BHP GROUP LIMITED, 100 WILLIAMSTOWN ROAD, MELBOURNE, VICTORIA 3008.

SPANISH BANKING Finance & Investment. The Financial Times proposes to publish this survey on: 22nd June 1989. For a full editorial synopsis and advertisement details, please contact: Mr Richard Oliver on Madrid 577 09 09 or write him at Financial Times Serrano 58, 28001 Madrid. Fax number: Madrid 564 18 92. Alternatively Sandra Lynch Number One Southwark Bridge London SE1 9HL. Tel: 01-873 4199.

Mosbacher seeks more openness in 1992 talks

By Nancy Dunne in Washington

The much-publicised request by Mr Robert Mosbacher, US Commerce Secretary, for "a seat at the table" of EC 1992 negotiations was "maybe overstated a little", but represented a bid for more transparency in the talks, born out of concern in the US business community over a "Fortress Europe".

Before leaving for talks with the Organisation for Economic Co-operation and Development in Paris next week, Mr Mosbacher said he wanted "an opportunity to get some knowledge about what kind of standards they were setting... what they were doing to allow US companies in".

US officials have expressed

resentment over the failure of the EC to allow US representatives to listen to the discussions, particularly on product standards, in order to have access to the positions of the various governments.

They point to the openness of discussions over last year's US trade legislation and argue that EC companies are allowed representation in organisations throughout the US which set standards.

Concern generally centres on three areas: product standards, local content and rule of origin restrictions, and lack of national treatment.

Mr Mosbacher said the Administration has under consideration proposals to increase US representation in Brussels to keep a more watchful eye on the talks. Of the 700 American officials in the EC covering political and economic issues, only 25 professional staff are assigned to Brussels and none represent the Commerce Department.

The Secretary wants to get information to US businesses which cannot afford a European presence and may later face product standards they cannot meet.

Egypt wins US fighter parts orders

EGYPT has been awarded two contracts worth nearly \$600,000 (\$284,000) to manufacture components for US General Dynamics F-16 fighter aircraft under its recently approved status as a non-Nato US ally, Tony Walker reports from Cairo.

The Arab Organisation of Industrialisation (AOI) will be contractor for the manufacture of aircraft covers, fairings, support structures and bulkhead parts.

The 3,000 items will be included in 400 F-16 aircraft to be built between 1990 and 1992 for delivery to the US Air Force and foreign customers.

The AOI was established in 1974 as a partnership of four Arab states - Egypt, Saudi Arabia, Qatar and the United Arab Emirates - to manufacture military equipment.

Italo-Czech deal

Lombardini, the Italian diesel motor maker, said yesterday it had signed a L200bn (\$27m) deal with ZTS, the Czechoslovak engineering concern. Alan Friedman reports from Milan. The pact calls for exchange of engine components, finished products, machine tools and production systems. ZTS will be licensed to produce diesel motors.

Tremor at the heart of US chip industry

Dispute with Japan threatens semiconductor-making equipment, writes Louise Kehoe

THE escalating high technology trade dispute between the US and Japan appears set to engulf one of the most critical sectors of the electronics industry - the manufacturers of the sophisticated production equipment and ultra-pure materials used to make semiconductor chips.

These products represent the base upon which the entire electronics industry, now the largest manufacturing sector in the US economy, is built. They are also of great strategic importance because they determine the level of semiconductor technology that can be achieved for use in weapons and defence systems.

Until recently, there has been relatively little trade friction in these parts of the electronics industry, despite intense competition between US and Japanese companies. US industry executives have long complained privately, however, about alleged Japanese unfair trade practices including dumping and illegal copying of US technology by Japanese competitors. Some US companies also claim that Japan maintains barriers to sales of US-made equipment.

Over the past decade the US dominance of the semiconductor production equipment and materials industry has declined precipitously. Ten

years ago, nine of the top 10 suppliers in the world were American. Today only five are. In Japan, US equipment and material companies have seen their market share fall from more than 90 per cent in the 1970s to about 35 per cent last year.

The declining strength of the US semiconductor production equipment industry has been highlighted recently by the announcement that Perkin Elmer, the leading US manufacturer of lithography equipment, wants to sell off its semiconductor production equipment operations because of low profits.

Although Perkin Elmer said this week that it would not sell its lithography business to a foreign company, there is concern in Washington that a US buyer may not be found and that it would force closure or its sale to a foreign business.

US trade officials recently signalled their willingness to act on the industry's problems by including several types of semiconductor production equipment on a list of Japanese products which may become subject to punitive 100 per cent import tariffs in connection with a separate trade dispute with Japan over telecommunications.

The proposed sanctions drew a flood of testimony from the US electronics industry at

hearings in Washington this week. Sanctions, executives warned, could backfire by harming US semiconductor manufacturers who would be forced to pay inflated prices for Japanese equipment.

Many feel the US electronics industry has gained little from efforts to improve market access in Japan

There is division within the US industry, however, on what alternative course of action the Government should take.

Many feel the US electronics industry has so far gained little advantage from the US Government's efforts to improve market access in Japan for other products including semiconductors, supercomputers and telecommunications equipment and that trade friction may have become detrimental to business.

Moderates, including some of the largest US equipment producers that have big customers in Japan, want to avoid government involvement and say the industry should be allowed to work out its own solutions to trade problems.

Semiconductor Equipment and Materials International, an industry group with international membership, responded to the threat of sanctions this week by forming an industry working group with US, Japanese and European representatives to address trade frictions.

The industry group said, in testimony submitted earlier in the week to the US Trade Representative, however, that it would welcome US government attention to market access problems facing its members and offered its support for bilateral government discussions.

This apparent change of heart was influenced by pressure from Japanese members of the industry group.

Sending a clearer signal to Washington, the US semiconductor industry's "senior spokesman", Dr Robert Noyce, chairman of Sematech and the inventor of the semiconductor chip, proposed a tough new approach to Japanese trade disputes.

The US, he suggested, should directly target the offending industry in a trade dispute by placing immediate tariffs on Japanese end products if there were alternate sources of those products.

Punitive tariffs should be graduated so that they increased each month until the dispute was resolved, Dr Noyce

suggested. Exporters to the US should be required to certify that they were not dumping their products in the US at below fair prices, and that they had not infringed US copyrights or patents.

The products of countries found to have engaged in unfair trade should be required to label their products with a warning such as "Buying this product endangers American jobs and the US standard of living".

A portion of the dumping duties or other tariffs collected on Japanese products should be distributed to American companies that had been damaged by unfair trade practices, he suggested. Another portion should go to the development of High Definition Television, while some should be retained by the Government to cover the costs of policing the system.

Such actions would "send a strong signal to our trading partners that the US has had enough and will no longer tolerate blatant trade inequities".

For US government officials, the industry split makes a complex trade dispute even more difficult. However, the prospect of the US electronics industry becoming increasingly dependent upon foreign suppliers of critical production equipment and materials is a strong incentive for action.

Spain to decide soon on satellite contracts

By Peter Bruce in Madrid

MADRID is likely to decide soon on how to award contracts for the country's first satellite system, Hispasat, scheduled to go into service in 1992 at a total cost of Ptas 49bn (\$217m).

Two European consortia, led by Matra of France and West Germany's Messerschmitt-Bölkow-Blohm (MBB), and Hughes of the US are final contenders for the contract, which will build two satellites for orbit and one to be held in reserve.

The programme, to have started with a first launch in 1991, has been dogged by mostly political delays, and a final decision may be put off even further. Local industry has complained of 1992 deadlines will not leave it much time to organise effective participation in construction of the satellites.

Spain will be hosting the Olympic Games and the World Fair in 1992, which is also the 500th anniversary of Columbus' discovery of America. One channel on the new satellite will be able to beam

programmes to Latin America, and the Spaniards want to do so during this banner year.

According to recent reports, which the Transport Ministry has not confirmed, the final contract race has come down to Hughes or the Matra consortium, which includes British Aerospace, Fokker and a number of smaller high-technology Spanish partners.

They have offered Spanish industry 30 per cent of the production work, with most going to the state-owned aerospace group, Casa. MBB's group, which includes Alcatel and Aérospatiale, is offering marginally more work to Spanish companies.

Hispasat will deploy three direct broadcasting TV channels for Spanish viewers, one for Latin America, five for telecommunications, and one for military use. It will be owned and operated by various state agencies, including the national TV network, the telephone monopoly, and the industrial holding company.

Japan ball-bearing industry may face higher EC duties

By William Dawkins in Brussels

JAPAN'S ball bearing industry was yesterday threatened with higher anti-dumping duties on Ecu 72.6m (\$8m)-worth of its exports to the European Community.

The European Commission announced it was investigating whether to increase the current levies to between 1.5 per cent and 21.7 per cent, imposed on large diameter Japanese bearings in June 1985.

Its move was triggered by a complaint from the Frankfurt-based Federation of European Bearing Manufacturers' Associations, representing the eight EC producers of 30mm diameter bearings. They come from West Germany, Portugal, Italy, France, Spain and Britain. This follows a similar inquiry launched last week into imports of conical roller bearings.

The companies claim Japan is undercutting EC bearing prices by 60 per cent, forcing them to slash their own profit margins. Total EC exports were Ecu 404.5m last year, when imports from all countries, including Japan, fell slightly to Ecu 267.9m.

The European producers argue that the dumping margin - the difference between Japanese domestic and export prices - has become so much wider over the past four years that the present levies no longer provide adequate protection.

Even higher US dumping duties - up to 73.5 per cent - have also encouraged Japanese bearing exporters to concentrate on the less heavily protected EC, the federation says.

Syria steps up search for ways to cut trade arrears

By Andrew Gowers in Damascus

SYRIA, HOPELESSLY in debt to most of its major trading partners, is stepping up a search for ways of cutting arrears with its political allies and the Soviet Union, in light of a severe foreign exchange shortage this year.

Officials in Damascus say Syria has told Moscow it will be hard pressed for foreign currency this year and unable to reduce a substantial imbalance on the sterling denominated "clearing account" through which bilateral civilian trade is financed.

Other options to contain the debt - including further Soviet investment in Syrian joint ventures and Syrian contracting in the Soviet Union - are being discussed with Mr Alexander Zotov, Soviet Ambassador to Damascus.

The talks come against a background of attempts by Moscow to put its overall relationship with Syria on a new footing, with more formal political consultations and the prospect of eventual Soviet pressure on Damascus to join in Syria's debts to the Soviet Union are estimated by West-

ern diplomats at about \$14bn, of which the vast bulk is military, arising from Moscow's crash programme of weapons supplies to Damascus in the early 1980s.

Soviet civilian trade with Syria has traditionally comprised a substantial degree of barter. But in reducing Syria's sizeable "overdraft", the problem lies in finding potential Syrian exports.

Despite Moscow's close ties with Damascus, this is not dissimilar to the difficulties of a number of Western countries, which have virtually despaired of obtaining billions of dollars in trade arrears. Options being explored by the two governments include:

- Arrangements for Syrian state construction enterprises to bid for Soviet contracts. These have borne fruit this year in a \$7m contract between Syria and Moscow for construction of three hotels in the Soviet Union;

- Additional Soviet investments in Syrian manufacturing and exporting joint ventures. But there appears to be no great enthusiasm in Moscow for investing in Syria.



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AMERICAN NEWS

Argentina reaps a harvest of anger

By Gary Mead in Buenos Aires

HOMB attacks yesterday in Buenos Aires underlined the danger now facing Argentina of a destabilising social upheaval.

Five and half years of procrustean on necessary economic changes by President Radl Alfonsín's Radical government have led not simply to a collapse of the administration but have brought the country to the verge of a breakdown in democratic order.

The present power vacuum, which has existed for many months as Radical legislation has been blocked by a Peronist-dominated Congress, sharpened on May 14 when Mr Carlos Menem, the Peronist candidate, won a clear mandate in the presidential election. But, according to the constitution, he is not due to take office before December. The next six months - or even six days - could be crucial for Argentina's chances of surviving under civilian rule.

Mr Menem has not only refused to take power earlier than December. He and his advisors have also rejected outright an emergency economic programme formulated by the Radical government and announced last Sunday evening. Calling it a "war economy" plan, President Alfonsín said in a nationwide broadcast

that he would be "very hard" in his final months of office, fighting the "rabies of financial speculation" which he described as being the root cause of the country's crisis.

The president has failed to act on the essential cause of Argentina's hyper-inflation, now racing into overdrive at more than 70 per cent a month. His government was told last August by its foreign creditors to cut state spending before he could expect any further loans. This warning was ignored and now his government gathers in taxation only enough to cover 40 per cent of its monthly costs.

On Sunday, Mr Alfonsín, gave a new and shocking definition of "reasonable" economic management: an annual average inflation rate of 400 per cent, as was the case in 1988. "Till five months ago the economy was doing reasonably well," he said.

After a brief one-month dalliance with a free-floating exchange rate, Argentina has gone back to a government-fixed rate, of 175 australs to \$1. All other currency trading is now illegal. But all that means is that black market operators have immediately returned to business, offering 250 australs to \$1. Capital flight, insecurity and panic took less than two days to re-gather strength.

An almost complete lack of confidence in any political party has given rise to a run on the US dollar, as people of all walks of life have tried since January this year to ditch their australs.

Between June 1988 and January 1989 the austral held relatively firm, sliding from 10 to 18 to \$1. Since January it has collapsed, finishing trading on May 19 at 220-\$1. Exporters and importers have been thoroughly confused by a welter of "new" economic plans, tinkering with exchange rate policy and duties, and three economy ministers since February.

Lack of confidence is fuelled by repeated inability to tackle the public sector deficit. These deficits were traditionally financed by obliging foreign creditors who, since April 1988, have refused to sanction further subsidy of a public sector which in 1987 lost a daily \$3.5m and last year probably performed similarly.

A lame-duck administration, coupled with a government-in-waiting demonstrably reluctant to test itself, has brought about a swift and perhaps irreversible deterioration in Argentina's social, economic and political life. The result is now to be seen on the streets of Rosario.

Behind this looms the presence of a disgruntled army. It

is perhaps unfair to describe senior officers as now walking round the city with a certain spring in their steps and smirks on their faces, but an air of "I told you so - what can you expect from civilians who preach democracy?" is hanging over barracks around the country.

On Monday General Francisco Gassino, who as army chief of staff faces considerable pressure from rebel officers under the ideological leadership of the virulently nationalist and anti-Radical Colonel Mohamed Ali Seineldin, made a remarkable speech which for many indicated an historical turning point.

Marking Army Day, Gen Gassino gave a passionate promise that the army will make its "contribution in whatever way possible". He argued that the anti-subversive military action of the 1970s, when as many as 9,000 Argentines disappeared, was "just and necessary", and the response of a "society under siege", preventing the violent take-over by a bloody and despotic power-structure was totally opposed to Argentine feelings and traditions". Most pointedly of all he attacked "the ingratitude of those who benefitted" from the army's activities against guerrillas in the 1970s.

US appeal stirs fears of financial intrusion

By Anatole Kaletsky in New York

A US court decision to attach \$12.5m of assets belonging to the New York branch of Standard Chartered Bank will be subject to a legal appeal this morning in a precedent-setting case which has stirred new concern around the world about intrusion by US courts into financial systems abroad.

The implications of the case for international banking are considered so serious that the Federal Reserve Bank of New York will be backing the legal arguments made by Standard Chartered against what it sees as excessive zeal of the US courts and the Securities Exchange Commission.

The SEC has been seeking to attach the Standard Chartered assets in connection with last year's insider trading prosecution against Mr Stephen Wang, a former analyst at Morgan Stanley. Mr Wang was sentenced to three years in jail after pleading guilty to passing on inside information to Mr Fred Lee, a Taiwan-based investor.

But Mr Lee, who was said by the SEC to have made profits of about \$19m from the illegal scheme, rejected the SEC's jurisdiction and failed to mount a defence in the US courts against the agency's demands for compensation and civil penalties. Because its lawsuit was civil, rather than criminal, the SEC could not demand Mr Lee's extradition from Taiwan.

So the SEC obtained a judgement against Mr Lee and, because he did not have sufficient funds in the US to meet it, argued for the attachment of his worldwide assets.

However, instead of asking the Hong Kong courts to freeze these assets, the SEC sought an order from the US courts against Standard Chartered. Last August, the Federal District Court of New York surprised the international banking community by accepting the SEC's request for a freeze against the New York branch of Standard Chartered, despite the fact that the bank was in no way involved in the insider trading case. It was this unprecedented action which provoked concern in the international banking community and the Fed.

The Fed, in its brief submitted for this morning's hearing by the US Court of Appeals, argues that the District Court's decision had "tended to erode the clarity required in the world's financial markets", created uncertainty about the legal status of all offshore bank accounts, led to "potential tensions" with foreign governments and might well have motivated potential investors to avoid dealing with multinational banks that had branches in the US.

Officials and lawyers involved in the case said they knew of no previous case in which the US courts had tried to exert such sweeping powers over bank deposits abroad. They predicted the appeal might take several months.

Fall of men who tamed the Reagan revolution

It is tempting to view the demise of Wright and Coelho as a turning point, writes Lionel Barber

A FELLOW Democrat once said of Congress: a man Tony Coelho that he had one foot in the fast-lane and the other on a banana skin.

A master fund-raiser and parliamentary tactician, Mr Coelho, along with Mr Jim Wright, Speaker of the House of Representatives, carried the Democratic Party's fight against President Ronald Reagan between 1986 and 1988 in the 100th Congress. Together, the two men used the Democratic majority in the House ruthlessly, curtailing debate and imposing a rare discipline on their own members.

"We halted the Reagan revolution in its tracks," Mr Coelho would later boast.

This week, the partnership ended. Mr Coelho has already announced he is resigning from Congress, effective June 15, following revelations that he purchased, on favourable terms, high-yield junk bonds from Drexel Burnham Lambert, the investment bankers and major contributors to the Democratic Party in 1988-89.

Mr Wright is widely expected to resign today, ending a year-long battle against a House ethics investigation into his financial dealings (though yesterday the Speaker was still pressing for the committee to drop the most serious charges against him).

The resignation of the Speaker and the House majority whip in mid-session of Congress would be unprecedented, and it would inevitably reshape the House Democratic leadership. Mr Tom Foley, the 63-year-old majority leader from Washington state, is expected to move up to become Speaker. Mr Richard Gephardt of Missouri, the 1988 Democratic presidential candidate with a protectionist trade bent, is strongly favoured to succeed Mr Foley as majority leader.

Several other posts, including the majority whip's job, will be fiercely contested.

It has become fashionable to portray Mr Wright and Mr Coelho as victims of a Republican ethics crusade sweeping Washington. Mr Wright's original difficulties stem largely from a shady book deal. The Speaker's staff arranged for bulk sales of a cut-and-paste book to a cut-and-paste book publisher. Such scrutiny has in the past been reserved for the executive branch, most notably with the Watergate scandal and, recently, the "sleeze factor" in

the Reagan administration when a number of the former President's top aides resigned in ethical disgrace.

The current scandals concern the ways congressmen raise the huge sums of money needed for campaigning, US-style; both Mr Wright and Mr Coelho slipped up when it appeared they were cashing in on their connections, in understandable temptation for both men who came from modest backgrounds in their respective Texas and California and, who like their fellow lawmakers, have not had a pay increase since 1981.

Mr Coelho was the epitome of the modern politician, a man who owed his rise to power, like Lyndon Johnson, to his position as head of the Demo-

cratic Party in the House and therefore Congress. Together the House and Senate fought President Reagan to a standstill, winning funds for highways, clean water, welfare reform and blocking his dearest foreign policy goal - military aid to the Contras.

Throughout this period, Mr Coelho described himself as a Robin Hood figure, robbing the rich corporate donors to pay for the reform programmes sponsored by the Democratic Congress and Mr Wright who dreamed aloud of emulating his fellow Texan Sam Rayburn as the most powerful and respected Speaker of the century.

It is tempting to view the change in the House Democratic leadership as a political turning point. The partisan style favoured by Mr Foley, heralding a new era of coalition government with power shared between the Republican White House and the Democratic majority in Congress.

Foley will compliment George Mitchell (the new Senate Democratic Majority leader) superbly, says Dr Jim Thurber, a congressional expert at American University in Washington.

This analysis may, however, be a little too cosy. House Republicans, led by Mr Newt Gingrich, the improbable nemesis of Mr Wright, believe they have discovered a winning election message, which is that Democrats have become institutionally corrupt after commanding a majority in the House for 34 years.

Mr Gingrich wants to run the 1990 House elections with a campaign slogan of wresting power from incumbents and handing it back to the American people.

Mr Lee Atwater, once President George Bush's campaign manager and now chairman of the national Republican Party, is showing interest; so too is Mr Ed Rollins, the \$250,000-a-year strategist hired by the national Republican Congressional committee.

If the ethics crusade continues, Mr Bush will have to decide whether to stand up to the conservative right or risk losing his much-valued bipartisanism.



Wright poised at the exit

cratic congressional campaign committee, the main fund-raising body for the party. He turned money-raising into a science, combining the latest computerised mail-shots with old-fashioned arm-twisting. His genius was to spot that Democrats could make just as good a sales-pitch to corporate donors as Republicans.

"Ronald Reagan may control the White House and the Senate," he used to say, "but Democrats control the House."

It worked. The Democratic Party - which in the 1980 landslide looked as if it might be swept away by Mr Reagan's conservative Republicanism - not only survived, it prospered. In 1986, thanks again to first-rate fund-raising, the Democrats regained control

Brazil readies credit and speculation curb

By Ivo Dawson in Rio de Janeiro

THE BRAZILIAN government is preparing a new consumer credit squeeze, measures against speculation in gold and dollars, and a tighter fiscal policy amid fears that inflation could top 15 per cent in June.

The package, expected to be formally announced this week, comes as economists at the Finance and Planning Ministries were revising upwards forecasts for the year-end public sector deficit in anticipation of a visit by International Monetary Fund assessors.

Many independent economists are now predicting that the need to service Brazil's burgeoning internal debt will force the deficit, originally targeted at zero, beyond 8 per cent of gross domestic product, against 4 per cent last year.

Under its \$5.2bn foreign debt rescheduling agreement, concluded last September, Brazil agreed to hold its deficit down to 2 per cent of GDP in 1989. Failure to meet this target will require a waiver from the IMF before commercial banks can release the final \$600m tranche of credits agreed under the plan.

Despairing business people in Brazil fear, however, that the country is now closely following Argentina down the path to economic catastrophe. As Mr Mailson da Nobrega, Finance Minister, attempts to lift the price freeze imposed last January, inflation is resuming a pattern that last year gave price rises of 54 per cent.

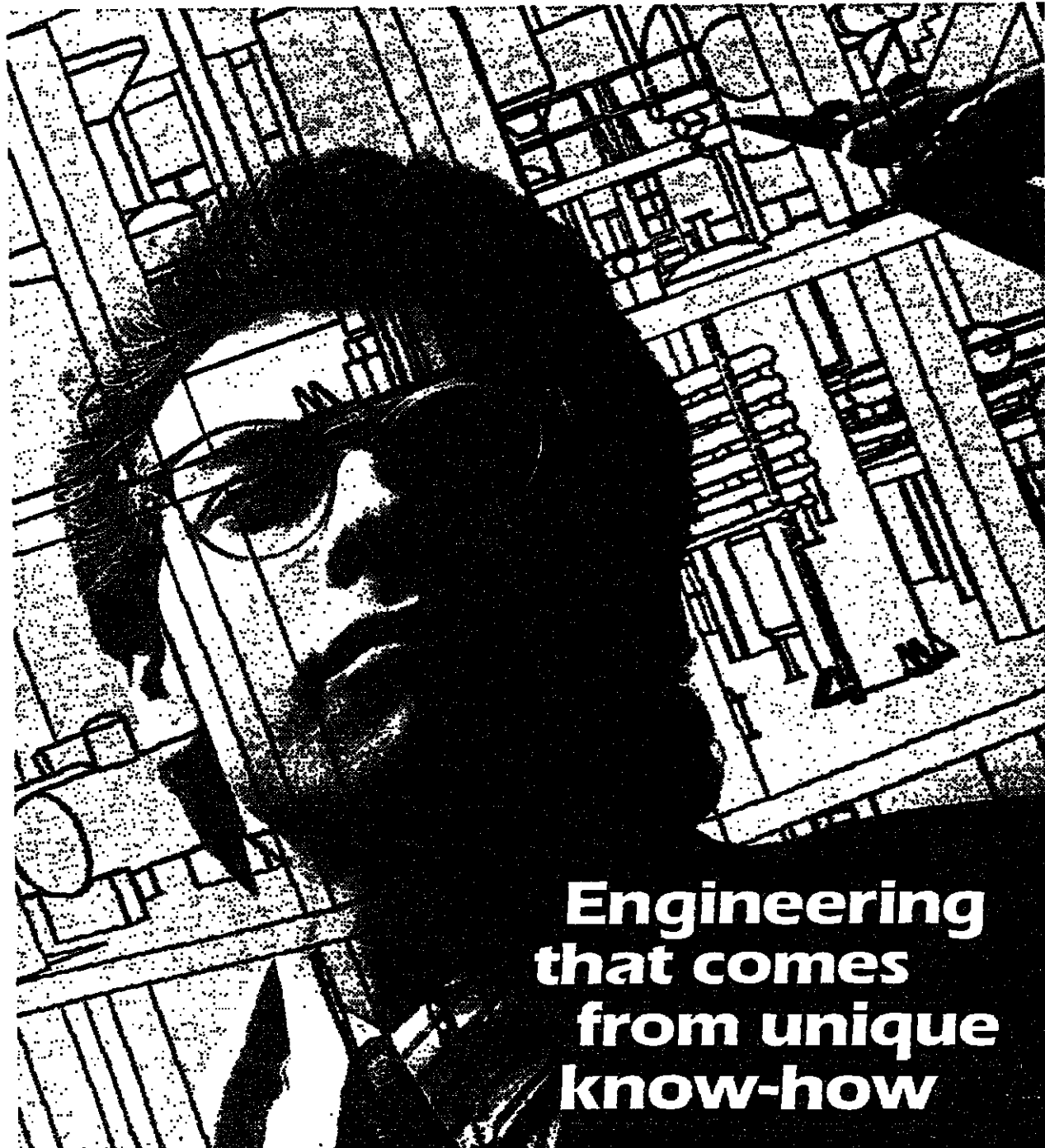
The only bright spot on a gloomy economic horizon remains the trade surplus, which is estimated at about \$5.6bn in the first quarter, giving a projection for the year of between \$16bn and \$18bn. Farm output is expected to reach new highs, with the grains harvest now coming in expected to exceed a record 70m tonnes.

But many economists believe that efforts to squeeze credit will have little impact in cooling sales while consumers have little confidence in holding sums in the Brazilian currency, the new cruzado, in savings accounts. "Nobody wants to make loans, and purchases are being made in cash," Professor Celso Pastore, a former Central Bank president and now a commercial bank consultant, observed

recently.

As savers have abandoned the local currency, rates of the dollar in the unofficial market have shot up to as much as NCr 3.20 - nearly three times the official exchange rate. This week the commercial banks have pushed up interest paid on 60-day paper (CDs) to the equivalent of over 700 per cent a year. But one banker said that there was virtually no demand for anything but very short-term loans and leasing business. "We are surviving by making our money on the float in people's accounts," he said.

Behind much of the growing alarm lies the revelation this month that generous provisions in the new constitution have created a huge shortfall in the social security fund which provides pensions and other benefits. Economists calculate that if a Congressional decision this month to raise the official legal minimum salary by 47.5 per cent to NCr120 a month is not reversed, the fund could be more than NCr12bn (\$15.5bn at official rates) in the red by the year-end.



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Canadian Liberal win

By David Owen in Toronto

MR JOE GHIZ and the ruling Liberals swept to a resounding victory in the Prince Edward Island election, capitalising on antipathy in Canada's smallest province towards the ruling Conservatives in Ottawa.

The party won 30 of the 32 seats at stake in the contest and 60 per cent of the vote.

The opposition Conservatives under Mr Melbourne Gees were reduced to two seats and 36 per cent of the vote.

In last November's federal election, the province returned four Liberal MPs. Since then, Ottawa has unveiled plans for the closure of the island's only armed forces base.

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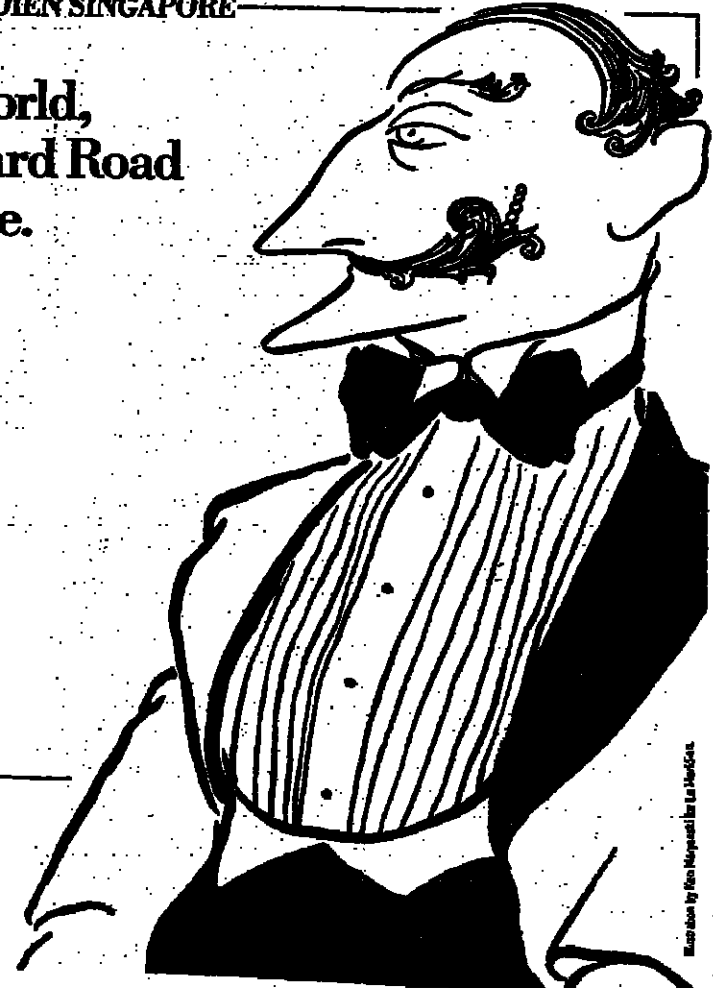
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UK NEWS

Former premier deepens Tory row over Europe

By Philip Stephens, Political Editor

THE Government's embarrassment over repeated attacks by Mr Edward Heath on Prime Minister Margaret Thatcher deepened yesterday as the former premier became embroiled in a public row with the Conservative Party chairman.

Mr Heath accused Conservative Central Office of attempting to "gag" him during the rest of the campaign for the European Parliament elections by persuading local parties to withdraw invitations for speaking engagements.

When Mr Peter Brooke, the party chairman, vehemently denied the allegation, Mr Heath said that he either did not know what was happening in his own office or he was "lying." Mr Brooke responded: "I am not a liar and never have been," adding that Mr Heath was wrong and had been "over-basty" in his judgments.

The allegation, which followed Mr Heath's stinging attack at the beginning of the week on Mrs Thatcher's refusal to embrace European integration, brought calls from several Conservative MPs for him to be in effect expelled from the party at Westminster.

Mr Heath's apparent determination to ignore appeals to moderate his stance also prompted several strong reac-

tions from senior ministers and former colleagues.

Mr Douglas Hurd, the Home Secretary, said that the former Prime Minister's descriptions of Mrs Thatcher's approach as patronising and hypocritical went beyond what was either fair or correct. Lord Whitelaw, the former deputy party leader who served under Mr Heath in the Conservative government of 1970-1974, said he was "deeply upset" about the attack on Mr Brooke.

Mrs Thatcher, who was in Brussels for the Nato summit, tried to brush off the row, while other senior Conservatives emphasised that Mr Heath was now virtually isolated among the Government's supporters at Westminster.

There was private acknowledgement, however, that the well-publicised dispute looks certain to confuse supporters and further damage the Conservatives in the European elections. Party leaders already appear resigned to losing about five seats to Labour and there are fears that that figure could rise further.

Mr Heath, however, appeared unrepentant, saying his office had clear evidence that a dirty tricks campaign was being waged against him by central office.

Brent oil pipeline reopens after six-week closure

By Steven Butler

THE BRENT oil pipeline system resumed operation yesterday after a six-week closure caused by an explosion at the Cormorant Alpha platform in the North Sea.

The blast caused the stoppage of about 470,000 barrels a day of UK oil production. Cormorant Alpha, which is operated by Shell Exploration and Production, a joint venture between Shell and Esso, served as a pumping station for several fields in the area.

The start-up of the system, which will be carried out in

stages, began yesterday with oil being pumped from the Dunlin platform.

It will by-pass the system pump station located on the Cormorant Alpha platform.

That station is expected to go into operation at the end of this week, although oil production at the Cormorant platform will not resume until the end of July, Shell said.

Brent crude oil prices had risen sharply on news of the system shut down, but they have eased back in recent weeks.

Heath takes lonely stand against Thatcher

Ms Margaret Thatcher has had plenty of experience of attacks on her policies by Mr Edward Heath since she wrested the leadership of the Conservative Party from him after the party's two election defeats in 1974.

So the official reaction to the Mr Heath's latest series of vituperative onslaughts on Mrs Thatcher's policies towards Europe has been one of surprise and calculated disregard. "We all know Ted," was Mrs Thatcher's comment yesterday.

After all, the message from the Prime Minister's office runs, Mr Heath's regular and frequently sharp criticism over the years of the Government's social, economic and regional policies have had no impact on voters, so there is little reason to worry about his views on Europe.

Mrs Thatcher has won three elections for the Conservatives - the same number that Mr Heath lost - is the implicit afterthought.

Conservative party managers would like to dismiss his attacks as "sour grapes." The best way to "neutralise" Mr Heath, one said yesterday, was to ignore him.

As the personal nature of his attacks on Mrs Thatcher has

intensified, Mr Heath has looked increasingly isolated at Westminster.

The natural support among MPs of a former leader is anyway small. It is the prospective leaders, with the potential to offer jobs and promotion, who tend to attract significant and open followings. Mrs Thatcher's 15-year grip on the party

Philip Stephens examines the Conservative isolation of the former prime minister following his attacks on Mrs Thatcher's policies in the European Community

has meant that even those are relatively modest.

The criticism Mr Heath faced yesterday from two former aides and friends - Mr Kenneth Baker, the Education Secretary, and Mr Douglas Hurd, the Home Secretary, underlined his increasing separation

from the Conservative mainstream.

Both ministers appeared to be speaking more in sadness than in anger and there was a suspicion they had been deliberately put up, if not pressurised, to rebut his attacks. Mr Heath claimed they were "terrified" of Mrs Thatcher.

It was also clear, however, that those Conservative MPs - and there are no more than perhaps a dozen - who are known to remain strong public supporters of Mr Heath were keeping their counsel.

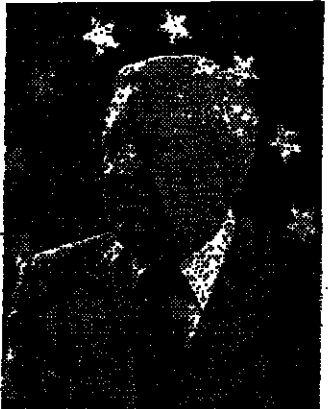
While his enemies - demanding that Mr Heath be effectively excluded from the party at Westminster - were queuing up to attack him, there was little sign of support.

That was due in part to Mr Heath's startling attack on Mr Peter Brooke, the Party Chairman, over the cancellation by a number of local Conservative associations of invitations for him to speak during the European elections campaign.

As one of Mr Heath's colleagues commented, it was easy to believe that Conservative central office was discouraging local parties from issuing invitations but it was quite another to imply that Mr Brooke, had been lying.

Lord Whitelaw, who supported Mr Heath against Mrs Thatcher in 1974, summed up the mood when he described himself as deeply "upset" over the accusation.

Mr Heath, however, cannot be ignored. The television crews and reporters camped outside his house in central London yesterday attested to the fact that



Heath: alone in the party

even after 15 years, an attack by a former prime minister on the present incumbent of 10 Downing Street is still regarded as news.

And Mr Heath has chosen his subject carefully. As the Prime Minister who took Britain into the European Community, he was in a powerful position to expose the split in Conservative ranks over Europe.

His passionate federalism is not shared by the bulk of the Conservative Party, but his conviction that Britain must grasp enthusiastically the opportunities presented by closer European integration strikes a chord among a broad swathe of MPs.

Mrs Thatcher's refusal to take up full membership of the European Monetary System, the stridency of her attacks on Brussels, and a growing concern that Britain might be left behind in a two-speed Europe have generated sympathy for many of Mr Heath's sentiments.

Mr Heath may find himself a virtual outcast among his colleagues, but unless the media decide unexpectedly to "drop him," he will continue to be heard.

Communist policies overhauled 'for 1990s'

By Philip Stephens, Political Editor

BRITAIN'S small but vocal Communist Party will today signal a radical overhaul of its traditional class-based approach to politics so as to meet the economic and political "realities" of the 1990s.

In a draft manifesto published with the latest issue of the monthly magazine Marxism Today, the Communist Party of Great Britain calls for the establishment of a broad alliance of left-wing groups to defeat the Government.

It also seeks to identify the party with the policy of perestroika being pursued by Mikhail Gorbachev, President of the Soviet Union, contrasting that with the "inefficiency and corruption" of East European socialist states.

The manifesto, described as the most important document produced by the 8,000-strong party since 1978, says its traditional emphasis on class divisions and on state intervention and planning should give way to a much broader view of left-wing politics.

It acknowledges that markets as well as planning have a role to play in the efficient creation of wealth, and argues against slavish adherence to either system.

Mr Gordon McLennan, the party's general secretary, said yesterday that the manifesto was an attempt to "face up to the political realities of the 1990s and 1990s."

The UK Green Party meanwhile, claimed the electoral system in the UK will prevent it winning any seats in the elections to the European Parliament on June 15.

Ms Sara Parkin, co-secretary of the European Green Parties, predicted, however, that throughout the other EC countries, which have proportional representation instead of the UK's first-past-the-post system, the Greens would win a total of at least 30 seats. That would increase their representation from the present nine seats.

"Although the British party is on a par with our colleagues in other countries we just don't get the seats because of the unfairness of the system," said Ms Parkin.

Output to lead growth in 1990s

By Ralph Atkins, Economics Staff

BUOYANT manufacturing output will lead UK economic growth in the early 1990s, compensating for a relatively sluggish performance by service industries, according to a report published yesterday.

Financial businesses, particularly banking and finance, will see the sharpest slowdown within the service sector, said Oxford Economic Forecasting. The construction industry is expected to be badly hit in 1990 as high interest rates curtail investment plans and the housing market but then recover in line with the rest of the economy.

In manufacturing, motor vehicle and aerospace industries are expected to perform well in the next four years with exports providing the main driving force.

The forecasts are based on a sectoral model of the economy developed by OEF and sponsored by the Department of Trade and Industry and

National Economic Development Office. The model includes 91 sectors.

OEF says lower consumer spending growth and the running down of stocks by companies will result in overall economic growth dropping from about 4 per cent last year to less than 3 per cent in 1989. A growth rate of 1.9 per cent is expected in 1990, rising to 3.5 per cent in 1991.

Manufacturing output is expected to be hit by the slowdown next year before recovering strongly. A fall in the pound will increase international competitiveness while a pick-up in consumer spending and investment will also boost output.

The report's outlook for the motor vehicle industry takes account of investment in plant and machinery by overseas companies such as Nissan, Peugeot and Toyota.

It says: "The depreciation of sterling is likely to help all

three companies in their aim of selling much of this increased production overseas, and we see output growth of over 10 per cent in 1991 and 1992 and export growth of nearer 20 per cent."

The report says the last four years have seen exceptional growth in financial and business services with the average annual growth rate exceeding 9.5 per cent. However, it notes that the 1987 stock market crash has led to redundancies and reorganisation at many City of London institutions while competition in banking has intensified.

Growth in business services is expected to slow from 11 per cent last year to 5.5 per cent in 1989 and 2.1 per cent in 1990. A modest acceleration is forecast for 1991.

Industry Forecast, May 1989. Oxford Economic Forecasting, Templeton College, Kennington, Oxford, OX1 5NY.

Ceiling on pension earnings attacked

By Eric Short, Pensions Correspondent

IF THE UK Government proceeds with its proposals in the Finance Bill to introduce a ceiling on earnings for pension tax purposes, it would constitute a breach of undertaking, according to a financial pressure group.

The accusation comes from the National Association of Pension Funds in a pamphlet on the pension proposals in the Finance Bill.

There was widespread dismay throughout the pension industry when Mr Nigel Lawson, Chancellor of the Exchequer, introduced a £50,000 ceiling on earnings for pension tax purposes in this year's budget, and announced that this ceiling would be revalued in line with price increases.

The pamphlet argues that this is a fundamental change

to pension scheme taxation, saying that an increasing number of employees will be affected in time.

It calls for the support of the Trades Union Congress, the union umbrella body, in opposing the ceiling, saying that "in time ordinary working people will find they are losing out."

Mr Norman Lamont, Financial Secretary to the Treasury, replying to the criticism, has argued to date that since only a small number of employees will be affected, it is not such a fundamental change. The minister's implication is that this is the end of the matter.

Truth, Honour and Democracy: The Finance Bill 1989 available from the National Association of Pension Funds, 12/18 Grosvenor Gardens, London SW1W 0DH, price 75p.



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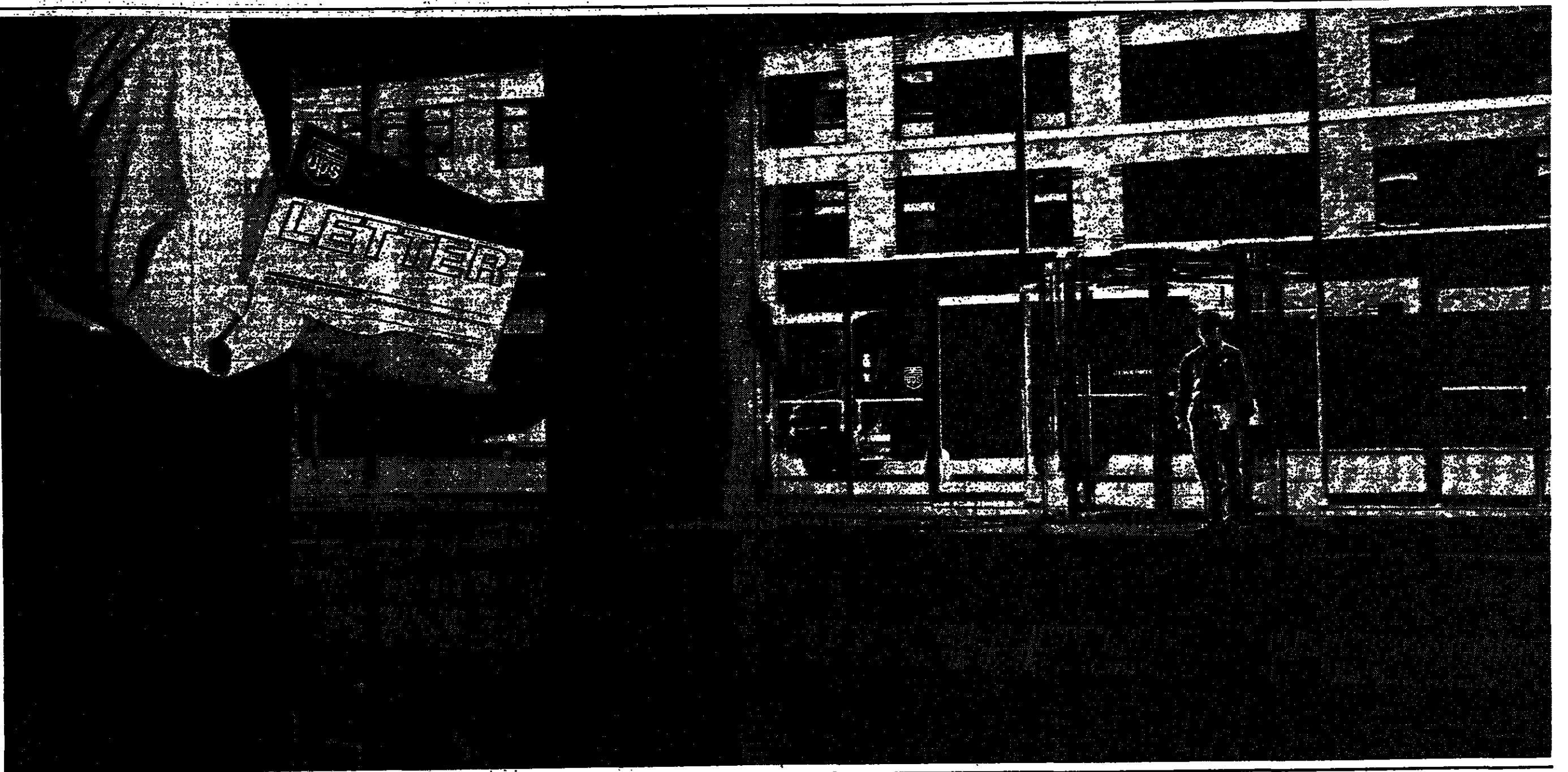
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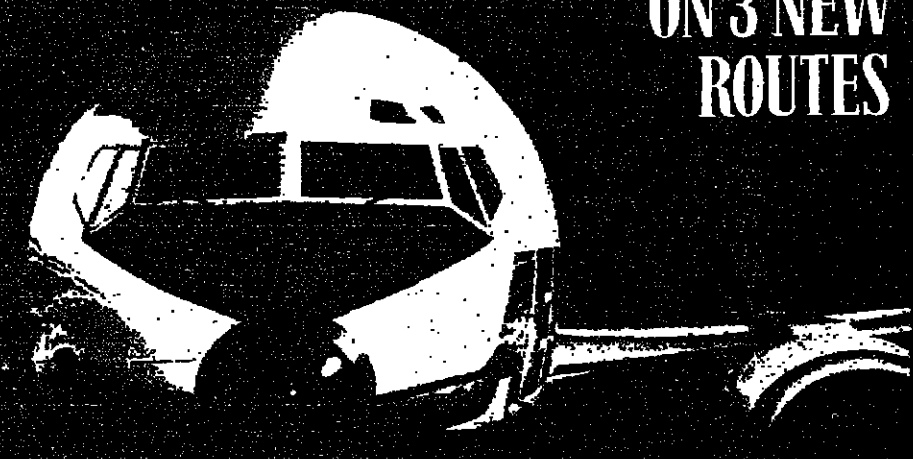
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TOGETHER WE MEAN BUSINESS

UK NEWS

Car output forecast to rise to 2m

By Kevin Done, Motor Industry Correspondent

UK CAR production is expected to rise to about 2m a year by the mid-1990s, leading to a radical improvement in the UK motor industry trade balance, a leading industry spokesman said yesterday.

Mr Simon Foster, director of the Society of Motor Manufacturers and Traders (SMMT), the motor industry trade association, said car output has recovered steadily over the past two years from the recession in the early 1980s. Motor industry leaders are becoming increasingly confident that the UK industry's fortunes, aided

by the growing output of Japanese vehicle makers, can be transformed during the 1990s, he said.

The industry has been a leading contributor to the rapid deterioration in the UK balance of trade, but the SMMT believes that increased car output could help virtually to eliminate the industry's \$8.1bn trade deficit last year by the mid-1990s.

UK car production increased last year by 7.3 per cent to 1.23m, the highest since 1977 and a 38 per cent improvement from the 888,000 cars produced

in 1982, when car output slumped to its lowest level since the late 1960s.

Car output is still well below the peak of 1.92m reached in 1972, but the SMMT believes that this total could be exceeded by the mid-1990s. Car output in the first four months of the year jumped by 13.6 per cent to 478,462 - a trend which could push output for the year to more than 1.4m.

The UK motor industry expects the three groupings of European, US and Japanese car makers each to be producing 600,000-700,000 cars a year

in the UK by the mid-1990s.

Nissan is already committed to producing 200,000 cars a year by 1992-93. Mr Yutaka Kume, Nissan president, indicated recently that the company hopes to raise this to 400,000 by the late 1990s.

Toyota is committed to building a 200,000-cars-a-year plant at Burnaston, in the Midlands, with production beginning in 1992. Small increases are also expected from Ford and Vauxhall, UK subsidiary of General Motors of the US, pushing their combined total in the UK to 650,000.

Compaq claims boost in European PC sales

By James Buxton, Scottish Correspondent

COMPAQ, the US computer manufacturer which has its sole European manufacturing site in Scotland, claimed yesterday it has taken the second largest share of the European market for business personal computers (PCs), behind International Business Machines (IBM).

The UK is Compaq's largest market outside the US, with France second and West Germany third. The company claimed "phenomenal growth" in its international sales, demanding a £25m expansion of its plant at Erskine near Glasgow for the second time since the plant came onstream in 1987. The expansion will add 450 people to the payroll of the plant, taking it to 1,000.

Mr Eckhard Pfeiffer, president of Compaq Europe and International, quoted figures from Dataquest/Intelligent Electronics, the Paris-based research institute, showing that in the first quarter of 1989 it took 10.2 per cent of the market for business personal computers in the seven main European countries, which account for 80 per cent of the total European market.

The figures suggest Compaq has overtaken both Apple and Olivetti though it is still behind IBM. Figures from the research institute for the European market for 1988 put Compaq in fourth place behind both Olivetti and Apple. In the first quarter of this year Compaq's total sales reached \$683m, a 55 per cent improvement on 1988 figures.

Apple Computers of Birmingham, which has previously specialised in desktop personal computers, will today launch the first of a generation of powerful machines designed to handle the data processing requirements of entire business departments.

The computers, capable of providing processing power for up to 128 workstations or personal computers connected together in a network, are thought to be the first in the world to use the latest standard microprocessor from Intel of the US, the 80486.

Chambers criticised in UK report

By Hazel Duffy

SERVICES offered by the UK's chambers of commerce vary so much the situation is often "chaotic", claims Mr Tony Platt, chief executive of the London chamber, in a report published yesterday.

They are also substantially under-resourced compared with European chambers, hampering their effectiveness. The London chamber, the UK's largest, has 5,000 members, an income of £3.8m a year and 140 staff. The Paris chamber has an income of nearly £150m, employs 3,200 people and serves a quarter of a million businesses.

Paris is one of five chambers studied. Like the others - Amsterdam, Hamburg, Munich and Madrid - it provides a wide range of education and training services.

Publication of the report is aimed at opening up debate on the future role of chambers of commerce in Britain.

The continental chambers studied enjoy a reputation as bodies to which businesses are automatically linked and from which they expect services.

Eight of the 12 EC states require businesses to register automatically as members. The London Chamber is not recommending that the status be extended to Britain.

Chambers of Commerce: the challenge of the 1992 EEC internal market from the London Chamber of Commerce, 69 Cannon Street, London EC4N 5AB.

'Big Eight' accountants post strong rise in 1988 fee income

By Richard Waters

THE UK's largest accountancy firms yesterday reported strong fee income growth for 1988 and said there was no indication yet of any slowdown in activity among corporate clients.

Many smaller firms, however, saw little growth once fee increases due to higher salaries were taken into account.

In their role as financial advisers and management consultants, accountants are close to many companies' investment decisions, making them a useful barometer of corporate sentiment.

Fee income growth for the "Big Eight" firms, which co-ordinate the publication of their financial results, was broadly in the 20-30 per cent range. This matches growth rates

throughout the 1980s, which have seen the accountants grow strongly across a broad range of professional services.

The profession's "Top 20" is one of the highlights of the accounting calendar. The changes this year include:

- Coopers & Lybrand pulled ahead of Price Waterhouse in what has become an epic battle for the number two slot.
- Arthur Andersen, powered by continuing growth in its information technology division, kept over Touche Ross into sixth place but failed to overhaul an anxious Ernst & Whinney. Andersen, last of the big international firms to establish a base in the UK, has moved inexorably up the league in recent years, but has been unable to build the audit

base that would put it alongside the largest firms.

The firms predict another good year in 1989, despite signs of an economic slowdown. Mr Brandon Gough, Coopers chairman, says that much of the advisory, tax and other work of accountancy firms comes from merger and acquisitions, which remain a strong area.

With less repeat audit business than in the past and order books typically showing only "around three months' work at any one time, however, the accountancy firms are beginning to sound cautious about the future.

The next year could be the one which puts these professional services conglomerates, built during the last years of the 80s, to the test.

Education should 'copy' US methods

By David Thomas, Education Correspondent

BRITAIN will have to copy central aspects of the US college system if it is to draw more young people into higher education, an official report from the schools' inspectorate has concluded.

The report, based on a visit to nine East Coast universities and colleges last year, is likely to be widely quoted by Government ministers in their drive to reform UK universities.

Mr Kenneth Baker, Education Secretary, has already

invoked the greater variety of provision in the US when describing his long-term plans to double participation rates in British higher education.

The inspectors point to the greater diversity of US post-secondary education, a trend which Ministers are trying to encourage in the UK.

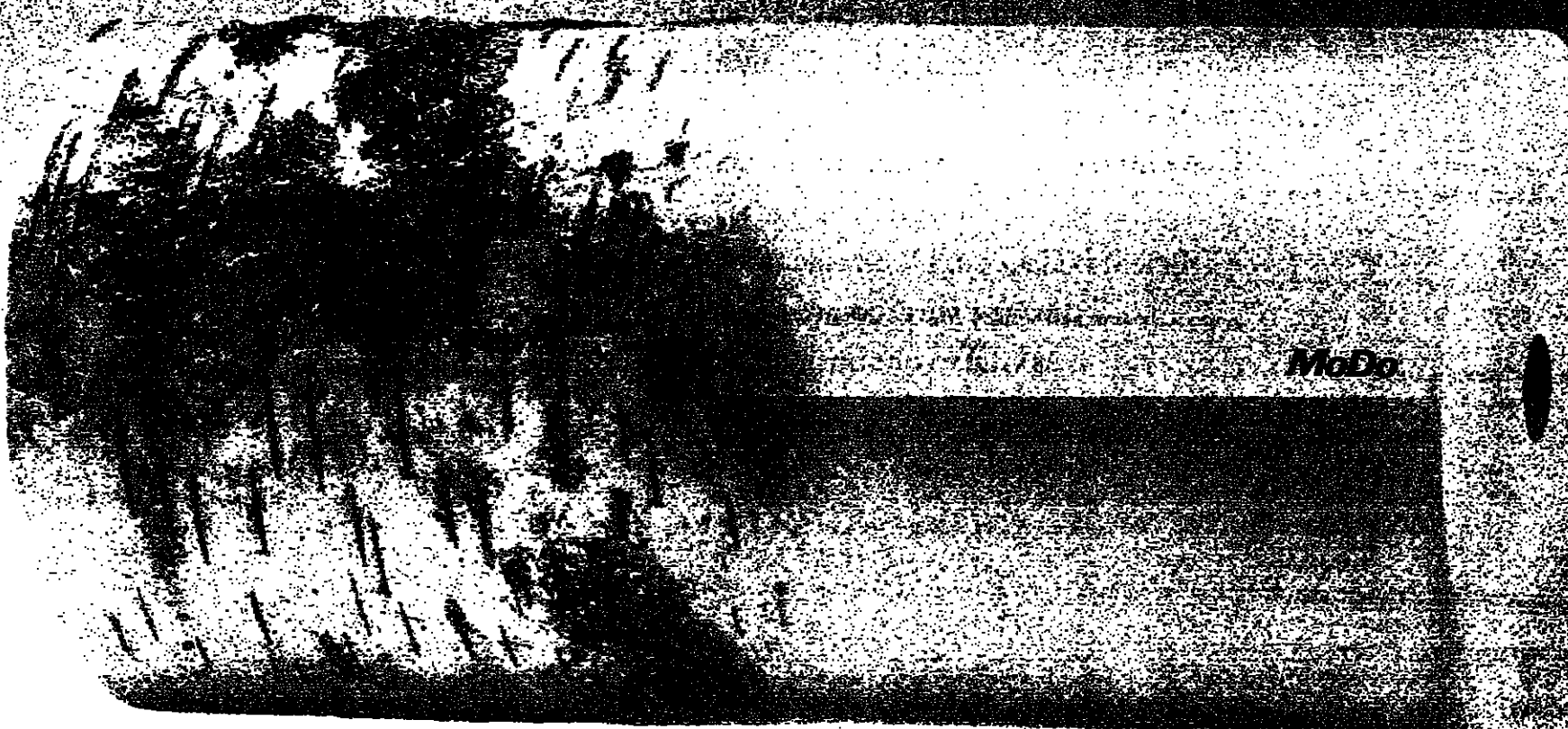
US colleges are more accessible because they offer wider range of courses, encourage movement between part-time and full-time study and adapt

their teaching to the needs of students who are also working.

This diversity is reflected in widespread differences in the costs of courses, in tuition fees and also in lecturers' salaries, which are closely related to the market. The inspectors also confound the claims of free market theorists in the UK by pointing to a relatively large Government role in funding US higher education.

Aspects of Higher Education in the USA. HMSO. £3.50.

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Why mission statements often miss their aim

By Michael Dixon

EXECUTIVE career problems are so widespread in America that it is surprising there hires a business-school professor to advise on them openly, agony-aunt style. Or so says a reader in the United States, who neglects to name the magazine.

It so happens that such problems are far from rare east of the Atlantic as well, to judge by the frequency with which they arrive at this corner of the FT. The difference is that in most cases there would be no use in an open reply.

The problem is typically a very specific one prompting its victim to seek a move, and to enclose a personal career history to guide the Jobs column in nominating suitable recruiters to approach. Alas, much as I would like to be able to help on an individual basis, I am not in a position to do so.

The whole business is doubly frustrating because, although unable to run to hiring a business-school professor, I have long had a sneaking ambition to try my own hand as an agony uncle.

But although you readers often kindly respond to my requests for information and less kindly argue with my statements, you hardly ever come up with the broader career-related questions that

would allow me to rehearse the avuncular role. Luckily, however, a rare example has just arrived from a young man living in west London. He writes:

I have been offered a post involving a good step up in salary, but am put off by the firm's "mission statement". The most definite thing it states is in the first sentence, which runs: "Our aim is to be the best company that anyone ever did business with or worked for."

I can't help feeling it would be risky to join employers so woefully minded as to lay down such a meaningless aim. After all, if the company achieved it, how could anyone tell? As the increased pay would be welcome, though, I would value a second opinion.

There's my cue, then. So here goes:

Dear Put Off of Putney, It was thoughtful of you to type your name beneath your signature, but you needn't have added the letters BSc at the end. I had already twigged that you were a science graduate from the question you posed in your second paragraph. Unfortunately, to reject the aims in companies' mission statements as meaningless because they are not testable — in the sense that if they

were achieved, nobody could know — is to miss their main point.

If you want a scholarly parallel, you might try the offshoot of archaeology known as proxemics. Its enthusiasts typically start expounding it by asking why ruling castes of societies have historically spent disproportionate chunks of the national product on building gigantic things like pyramids and such.

Then, usually without waiting for an answer, the expounders explain that all members of any society have their own sense of fitting proportion, which is largely determined by the sizes of the things they live among. Whereas the lower orders would feel outlandish at least for a time if suddenly moved into a mansion, the upper crust would feel humiliated by a semi-detached.

Hence, proxemicsists say, the ruling castes devised a subtle tool of social control. If they had something built vastly bigger than anyone habitually lived in, all ranks would be able to see their own familiar proportions in it and so feel comfortable, while holding the leading citizens responsible for the excessiveness in awe.

If so, the theory may explain the palatial head

offices of large companies. Perhaps, far from needing big buildings because they have to have so many central staff, they are motivated the other way round.

Be that as it may, though, mission statements have a similar object. While they tend to be viewed as a recent phenomenon, their prime advocate was Chester Barnard, a former president of Bell Telephone in New Jersey, over 50 years ago.

He said that their point was not to be meaningful to any of the employees in particular, but to mean all things to them all. If the statements' aims are spelt out in concrete detail, various staff will soon spot that they disagree with at least some of them. But when the aims are "general, intangible and of sentimental character, the divergences can be very wide yet not be recognised."

So the company aiming to be the best anyone ever did business with etc seems to have headed Mr Barnard's words. Nonetheless, it could well be undoing the good work with another hand.

For there is evidence that some British followers of the fashion for having a stated

mission take care to ensure that most of their employees don't know what it is! A recent survey of 111 of them by Peat Marwick McLintock found that only 34 per cent made the contents of their statements known to all employees, compared with 46 per cent restricting them to senior management and directors alone.

How even top managers could decide to something so ludicrously daft, I cannot imagine. But if the company offering the job is one of the lunatics, my advice is to turn it down flat.

That said, Dear Put Off of Putney, whether or not you feel you have had your money's worth in return for your letter, you must surely agree that I've been sure.

Finance chief

NOW to the City of London where Doug Alexander of MSI International is offering a financial director's job on behalf of an international insurance group he may not name. So, like the other recruiter to be mentioned later, he promises to abide by applicant's requests not to be identified to the employer at this stage.

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**The Functions of the Executive, Harvard 1938, Ch 7.*

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COPEX

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TELEVISION

Bring the House into the home

Christopher Dunkley argues the case for taking the cameras into Parliament and the law courts

In 1853 the Conservative Government opposed the use of television cameras in Westminster Abbey to cover the coronation of the present sovereign. But the royal family, with its superior instinct for the public mood, and with the continuation of its power dependent upon its popularity, persuaded the politicians to change their minds. The BBC was allowed in the oldest and most sacrosanct of British constitutional life was captured by the cameras, and on June 2, 1853 there were more viewers per television set in Britain than ever before (or since). The world did not end.

Decades ago the major religions realised on which side their bread was buttered and ushered television cameras into their churches. God sent no bolts of lightning. Many viewers are now conversant with the insides of the human body, thanks to the willingness of surgeons to have television cameras peer over their shoulders as they operate. It seems that this does not offend against the Hippocratic code. With the help of "fly on the wall" cameras we have savoured the joys of the most intimate and touchy episodes in human life: childbirth, horse-trading among diplomats at the UN, the counselling of families blighted by incest. All this television has enabled us to see without society falling apart.

Is there anywhere left where the cameras cannot go? Indes there is. In fact there are two notable places: the House of Commons and the law courts. Both are, by law, open to the public. Not only that, but public access to them is regarded as one of the central tenets in Britain's unwritten constitution. Every single member of the television audience is allowed to go into these places to see for himself or herself what is going on, yet we are - so far - denied the right to use the television cameras to enable more of us to do this.

They are, of course, the House of Commons and the law courts, and in the past few days proposals have been put forward to open both to the cameras. Looking ahead

even a relatively short time to, say, the year 2009, it is almost impossible to believe that television coverage of both Commons and courts will not have become routine. At that date teenagers will probably react with incredulity when told that as late as 1989 cameras were barred from these public places.

And yet, now that access via the camera begins to seem a distinct possibility, there is a significant body of opinion warning that if it does happen the sky will fall in. Furthermore, efforts are under way to ensure that if the cameras do go, then - at least in the case of the Commons - the broadcasters will be forced to operate under such rigorous constraints that they will be obliged to misrepresent reality.

For instance, the Select Committee which has framed the rules for the proposed television experiment starting in November, assuming the House agrees, demands that in the case of serious disruption in the chamber the cameras must lock onto the Speaker's face and stay there. Reasonably enough, on the day that this was revealed, *Channel 4 News* played a television recording of the notorious storming of the Spanish parliament by armed men, making the point that in similar circumstances in Britain the broadcasters would be prohibited from photographing and identifying the offenders.

The Bar Council which has recommended a change in the law to allow cameras into British courts (following successful experiments in Australia, Canada, France, Italy, the US and elsewhere) believes that the chief benefits would be in informing and educating the public and in enhancing confidence in the legal system. Those who have served on juries and listened with astonishment and horror to the awful misnomers of shamed and garbled ideas, collected from *Cogney*, *And Love, Z Cars*, and *Ironsides* which appears to constitute the understanding of so many fellow jurors concerning the law, would agree vehemently.

The use of television to extend the pub-

lic galleries of Parliament and courts into every home in the land looks like sheer common sense. Thanks to modern technology, late 20th century Britain could move closer to a true participating democracy than any society since the Greek city states. And yet, as we finally begin to move towards that position, influential people insist that the entry of the cameras would be a retrograde step. Why?

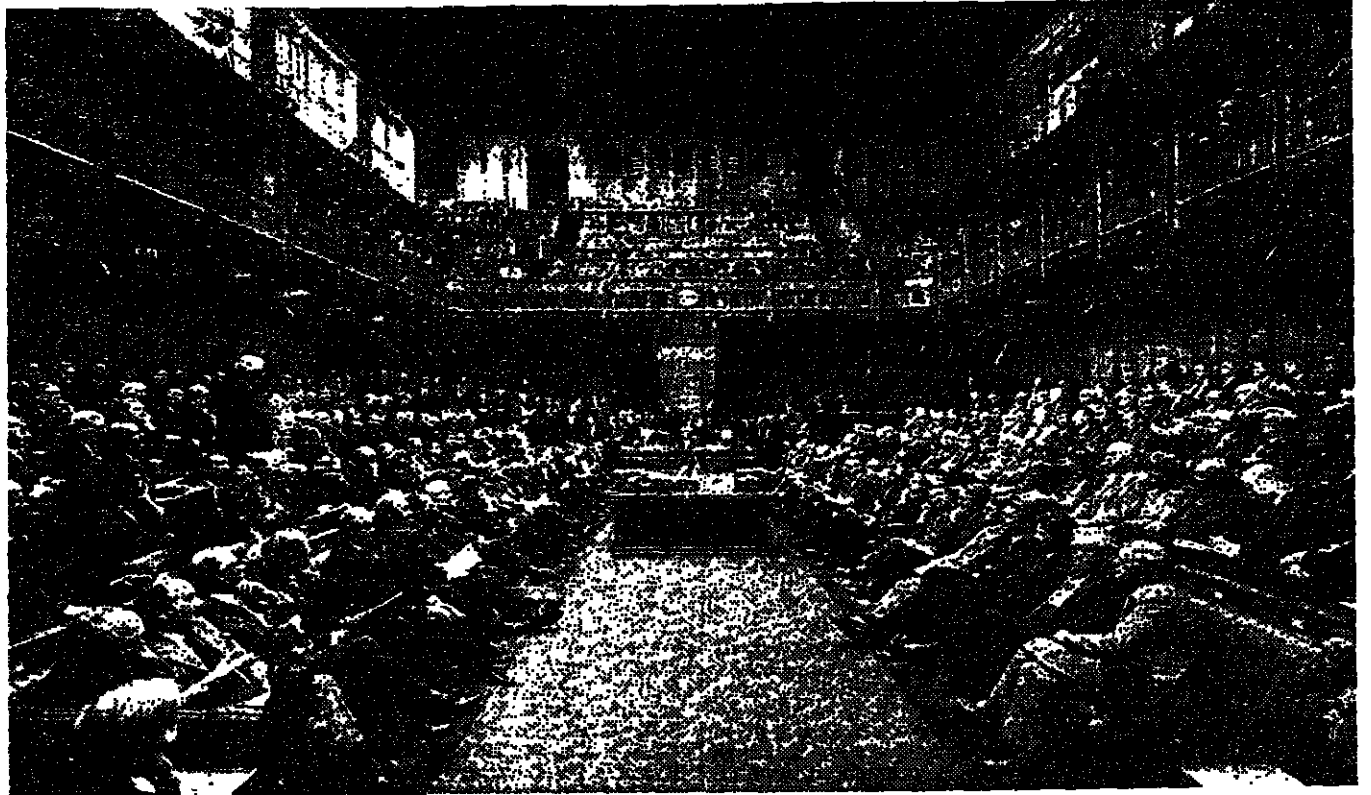
Lurking behind all the other arguments you can discern a deeply English sense of fastidiousness; a feeling that ancient democratic bodies (and the case of the Commons an exemplary one, though not, of course, "the mother of parliaments" which was John Bright's phrase to describe England) will be tainted by the show-business of television.

This seems to be largely the imputation of guilt by association. Nobody feels that Hansard is tainted by appearing in print, even though that is the very medium used for *Fanny Hill*, *Woman's Own*, and *Fay Weldon* novels. The difference, presumably, is that print allows for separate sets of covers around each publication, whereas the television medium is a single medium on exactly the same set which gives us *Dallas* and *Doris*. We shall just have to learn to live with that; it is fundamentally unimportant.

It is certainly true, however, that television does have an effect even upon those subjects which it treats in the most serious manner. Consider, for example, the *Civilisation*, natural history in *Life On Earth* and ethics in Brian Lapping's *Hypotheticals* on ITV are made more attractive to a mass audience than they would have been in the pre-television age when they were the exclusive property of an aristocratic and educated elite. Though Kenneth Clark may sound plummy today when BBC2 repeats an episode of *Civilisation* as it did recently, the fact is that both his vocabulary and the arrangement of subjects in his programmes do owe something to the "show business" of television.

The same is true of Attenborough and

ARTS



The Commons in action: thanks to modern technology, late 20th century Britain could move closer to a true participating democracy than any society since the Greek city states

Life On Earth and of *Hypotheticals*, which is back this week discussing complicated moral, legal and philosophical matters (to light the first black family on a court case) within a framework which deliberately exploits the attractions of American courtroom drama to spice up subjects which are felt to be less than enthralling to the general viewer.

All that is true, as it is true that television will have an effect upon the Commons. The very act of "televising" any thing does change it, not in the mystical sense that primitive peoples believe they are changed and their souls stolen, when cameras take their photographs, but simply by making information which was once the privileged property of the few into the property of the many. This effect is undeniable but the crucial question is

whether you regard the change as good or bad.

True democrats would surely argue that better to reduce the mysticism of the courts and the widespread fear of the legal system even if that does mean reducing the awe in which judges have traditionally been held.

There is, finally, a widespread albeit vague feeling that, thanks to the interpolation of television between ourselves and reality, we are beginning to lead our lives at secondhand. That is the sort of irrational technofear which led to the belief in the early days of steam trains that they were "unnatural" and that human beings would die if they travelled at more than 20 miles an hour. Television is a mechanical communications tool as well as an entertainment medium and it is high time it was used more to improve public life.

club which, understandably enough, many of them enjoy. As so much of it is surely better to reduce the mysticism of the courts and the widespread fear of the legal system even if that does mean reducing the awe in which judges have traditionally been held.

There is, finally, a widespread albeit vague feeling that, thanks to the interpolation of television between ourselves and reality, we are beginning to lead our lives at secondhand. That is the sort of irrational technofear which led to the belief in the early days of steam trains that they were "unnatural" and that human beings would die if they travelled at more than 20 miles an hour. Television is a mechanical communications tool as well as an entertainment medium and it is high time it was used more to improve public life.

She Stoops to Conquer

CRUCIBLE THEATRE, SHEFFIELD

A bare, boarded floor on the small raised stage that occupies the interior of the big open stage of the Crucible; upstage on the right, a chair against a small table. This is the sitting-room in Mr Harcastle's house, the house that his wife thinks no better than an inn, as conceived by designer Tim Reed. We see how right it is when the Harcastles sit down to their coffee. No London manses for Mr Harcastle - as George Rastrick plays him it would hardly have been a surprise if his country-squire manners let us see him dinking out of his saucer.

This production accords Goldsmith's comedy a proper respect for its jokes. The play can become dull, with its all-too-often contrived tensions; what is vital is to ensure that each comic event is presented with a proper sense of its truth, played not so much for laughs as for its possible embarrassment. What would be Marlow's feelings if Harcastle told him at once that his house was a "stupid" and not "The Buck's Head"? If Kate told him sharply that she was not a barmaid?

But we have watched Goldsmith building these situations in front of us, so that we may feel like Marlow or Harcastle ourselves - the vital basis of farce - and believe in the unbelievable complications we are shown, we shall find nothing to laugh at. Paul Whittington's direction ensures that we usually do believe what we see, even though we may real-

ise how silly the people were to get themselves into such difficulties.

Kate (Caroline Holdaway) is among the silliest, for she persists in acting as a barmaid without making any proper effort to lure Marlow out of the bashfulness he displayed at their first meeting. The author has made her duplicity easy by insisting that snobbish, townsmen Mrs Harcastle (Janet Henfrey) shall make her dress smart in the morning and simple in the evening. Miss Holdaway doesn't exaggerate this with a rustic accent or the downstairs behaviour exemplified by the servants. She merely modifies her conversation and her manner, leaves her hair uncoiffed and so rightly wins her man.

Whether he is worth winning is another matter. Ian Fitzgibbon's excessive display of shyness in front of the smart Kate, carried to balletic lengths, labels him virtually city, pretty though he does it only the one time in the evening that I failed to believe what I saw. Later, as an arrogant young bachelor most at home among older ladies, he was much more convincing. As for Richard Clifford's Hastings and Mary Ascham's Constance, they were two decent, upper-class young people with no faults that were not general in the fiction of their century.

Tony Lumpkin was given by Geoffrey Church with a sensible lack of exaggeration, apart from his beer-belly. He is not really keen on coming of



Geoffrey Church

stage - see how he almost stamps on his wig when he has to wear it. He is old enough to use the pub, where he is liked; but if his mamma chooses to treat him as a child, he can choose to be one. Yet in fact he is generally helpful and friendly, and probably no more nuisance about the house than most of his age. Boys should be put in cold storage between 13 and 21 anyway.

The plain, boarded decor serves a variety of locations by the use of a few useful props; in the garden scene a slight mist escapes from under the stage and owls call above it. The songs are attractively, and never showily, sung. Pretty use is made at starts and finishes of a violin-playing in 18th-century kit, playing

18th-century music. Familiar plays often have an unimpressive look at the Crucible, and this production, with its likeable simplicity, is no exception.

Earlier in the evening, Clare Venables, the Artistic Director, announced details of the next season in the Crucible's main house, and the same differences were there it opens on September 29 with a new adaptation of *A Tale of Two Cities*, made by Andrew Wickes. This celebrates the 200th anniversary of the French Revolution, and gives good material to Wickes, who did a successful *Tom Jones* for the Crucible.

It is followed on October 28 by Noel Coward's *Design for Living*, one of the least often seen of his mature comedies. The Christmas show, *Babes in the Wood*, opens on November 30. Then comes a classic from a writer not often acted in England, Racine's *Briantamicus*, opening on January 28. Next, from March 2, a musical, *The Boys from Syracuse*, adapted (very roughly) from *The Comedy of Errors*, with songs by Rodgers and Hart that have become well-known from the film, though the Drury Lane production was unsuccessful. Another comedy next, *Garson*, *Carlin's Boy*, *Yesterday*, opening May 24; and to the season, *Louisa M. Alcott's Little Women*, opens on June 21, a positive attempt to match the endless stories for boys with an equally well-loved story for girls.

B.A. Young

Elegy for Young Lovers

QUEEN ELIZABETH HALL

Like other Hans Werner Henze operas, *Elegy for Young Lovers* - libretto by Auden and Kallman - somehow hasn't had its just due yet. Like most of the others, it has a schematic, even cynically theatrical plot: here, monstrous eccentric poet abandons by young mistress gets both revenge and inspiration for his next major poem by sending her with her lover on a fatal edelweiss-hunt when a blizzard impends. Again Henze gives a clever text room to turn it into other arabesques, while more thoughtful and troubling things stir beneath the opalescent surface of the music, dark currents under a little soap-bubble world.

The musical virtues of the Voite-Face production, given at the weekend as part of the London Opera Festival, were considerable. At best Philippe Piffault's staging didn't get in

the way of the opera, but rather often it did. For the usual irrelevant reasons, the designer Antoine Fontaine chose to transfer Auden's little world from its proper Alpine hotel to an archaeological dig, which was neither here nor there (the programme-photo of the maquette looked better than the stage result). Much more damaging was Piffault's insistence on displaying all the principals as frigid posers - even the young lovers, whose wistful, disillusioned carolling was thus denied any poignant effect and the opera its humane side.

Vocally, Bronwen Mills and David Aldred were admirable; her "My own, my own" was sad and limp, and his tone had a curious harsh edge that suggested a more interesting youth than the text indicates.

As the domineering poet, Glen-viv Hargreaves - a lucky last-minute replacement for Henry Herford - brought his previous stage-experience of the role to bear and offers a rounded character in detail, if never on the intended scale of wilfulness, self-mockery and menace. Louisa Kennedy took the mad Hilda's coloratura flights with grace, and the greayer persons were coolly enacted by Margaret McDonald and Meurig Davies, with what seemed minimal assistance from the producer.

Static poses were the order of the evening, varied occasionally by making someone sing while lying backward over an archaeological rock. With all the action in the dialogues, not nearly enough of the words were distinguishable to the uncovered orchestral ensemble

occupied the aural foreground. Only in the last act, with singers up front and lighter scoring, did the lines begin to tell. The mingy synopsis in the programme must have left much of the audience, much of the time, unaware of just what was going on. In fact the orchestra, conducted by Rupert Bowden, gave a precise and delicate account of the score, with more sympathetic insights than were ever to be discerned on stage. They deserved a proper pit to be heard from in proper balance. Thanks to them especially, the personal, worrying flavour of the piece found its way into the hall, in spite of a production which captured neither that nor anything sufficient to give a longish evening an interesting shape.

David Murray

London Symphony Orchestra

BARBICAN HALL

The box-office draw at the Barbican on Friday was Kyung-Waa Chung's playing of the structural music showed the benefits of firmly established familiarity.

He has long championed Stravinsky, but Sibelius is a newer enthusiasm, dating from his association with the Boston Symphony, with whom Davis recorded a cycle of the symphonies. But his interpretations have evidently confined to broaden and develop since those discs appeared, so that one was hardly prepared for

the lucid proportioning and buildless slotting together of the structural music showed the benefits of firmly established familiarity.

Both composers could be counted as Davis specialities. The last of the symphonies of Wind Instruments (in its later, more commonly played version) and there in

the majestic authority with which the Fourth Symphony was unfolded here.

It began with deceptive simplicity, allowing the opening cello solo to expand naturally; restraint was everything and details were touched in with the minimum of rhetoric. Tempi were measured; the Allegro of the scherzo rarely quick as most conductors, though each section was minutely articulated and the LSO's playing, lean-toned rather than sumptuous, was unfailingly careful and responsive. The first two movements nevertheless seemed more like scrupulous preparation than final statement, but what they were preparation for emerged only in the slow movement.

There, Davis steered the

symphony into the most ratcheted territory, measuring the structural music showed the benefits of firmly established familiarity.

Remaining loose ends were tied in the finale, but still with rhetoric minimised; no easy fixes were suggested, and the Symphony faded away as enigmatically as it had started, though its outlines had been very deeply etched.

Andrew Clements

ARTS GUIDE

THEATRE

London

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her Hamlet novel. Witty black farce, vitriolic and entertaining (835 6404).

Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and his resident theatre company. Moving and shocking. Nicholas Hytner directs. Bob Crowley designs, good music arranged by Jeremy Sams (838 2253).

Single Spies (Queen's). The high-light of playwright Alan Bennett's double bill is a comic confrontation between Frustrated Scaries as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a re-hash of Bennett's fine TV film, *The Spies Who Came in from the Cold* (734 1185).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomat hero in a Peter Shaffer-style "spectacle of ideas". Moving and shocking. Nicholas Hytner directs. Bob Crowley designs, good music arranged by Jeremy Sams (838 2253).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is

in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no-dealing tricks (930 2678, or 839 1438).

Big Game (Victoria Palace). 1947 *Encounter* and *Loose* "theater-scanted" Scottish fairytale but is handsomely revived and well sung, less frail than expected (834 1217, or 839 9422).

The Vortex (Garrick). Maria Allen and Rupert Everett in brilliant reprisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and another fixation. Mannered, excessive, beautifully costumed. A must for suppers (379 6107, or 741 9859).

Renascence (Vandeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-war (836 9887, or 741 9859).

Love of Love (Princes of Wales). Andrew Lloyd Webber's latest is an intimate chamber opera derived from David Garrick's 1855 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unimpressive, hit (838 5872).

Encore (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murderous exercise in style, directed by Max Stafford-Clark (739 1148).

King Lear (Old Vic). Philip

Robbins' Broadway (Imperial). Anyone who by the notion of a three hours of film trailer previews will adore this compendium of Robbins' films (838 6382).

Simon (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of un-ging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit. Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Elliot's children's poetry set to music is visually startling and choreographically

A Chorus Line (Stubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (330 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious rehash of the true story of the French diplomat

whose long-time mistress was a structural dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marisa Roda play the leads in this view of southern life under the dryers in a busy hairdressing establishment (868 9000).

Chicago **Driving Miss Daisy** (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

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Sergei Leiferkus

QUEEN ELIZABETH HALL

Since he first appeared at the Wexford Festival, this splendid Russian baritone has been popping up in opera all over Britain. It seemed unnecessary of him to fill the first half of his recital on Sunday with operatic arias, unless he was aiming to remind somebody that he sings more roles we've had the chance to hear yet.

At least the arias covered an interesting range, including not only favourite bits of Escamillo and Don Giovanni, but Gianni Schicchi, Iago and Rodrigo (*Don Carlo*) too, and some Massenet and even "To be or not to be" from Ambroise Thomas's *Hamlet*.

With the less familiar numbers, one was less often reminded of how much better they work with orchestra. At the piano Helen Robertson-Barker rarely conjured up any orchestral illusions, and indeed some of the accompaniments barely passed muster as piano sound. (She rose to better form in the second half, with genuine piano-writing to tackle instead of reductions.)

In the circumstances Leifer-

kus's lusty attack and his reliably brassy tone, which is unmistakably Russian in any language, gave an unjust impression of sameness, for all the care he lavished on differentiating his characters.

The genuine recital-songs after the interval included Shakespeare sonnets addressed by Shostakovich and by Kabalievsky. The latter's op. 52 set proved amiably sentimental and ordinary. Leiferkus also introduced a Heine set by Valery Gavrilin, a composer who seems to follow Shostakovich's lead so sedulously that he might as well slip into his boots.

A further, improbable, Shostakovich setting was of Burns's "Macpherson before his execution". Russian gallows-humour is decidedly different from Scottish.

None of this really exercised the baritone's remarkable powers as such as one had hoped - opera shows him off better.

David Murray

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Wednesday May 31 1989

Good sense from Nato

President George Bush will be justified in looking back at the Nato summit as his first important foreign policy success. After all the procrastination of the past few months, Mr Bush has regained the initiative for Nato in the arms control debate and negotiations, dominated hitherto by Mr Mikhail Gorbachev.

With his proposal for a 20 per cent cut in US forces in Europe to 275,000 and his demand that the Soviet Union should accept the same ceiling — a move which would require much more drastic reductions on the part of Moscow — the US President has put the ball back firmly in Mr Gorbachev's court. After the Warsaw Pact's latest proposals on tank, troop carrier and artillery ceilings, the respective positions are now sufficiently close to envisage a reasonably quick conclusion of the conventional forces negotiations in Vienna.

The accelerated timetable put forward by Mr Bush — an agreement within six months to a year and implementation of the cuts in 1992 or 1993 — may well be over-optimistic, as several Nato partners, including Mrs Margaret Thatcher, have intimated. But it is likely to be nearer the mark than Mr Gorbachev's much more conservative target date of 1997.

for the US and Britain to contemplate negotiations on tactical nuclear weapons. The compromise eventually reached establishes a linkage between the implementation of conventional arms cuts and a possible decision by the US to open negotiations with the Soviet Union on the reduction of short range nuclear missiles.

Strict conditions

Britain was forced to drop its opposition to any negotiations at all with the Soviet Union in this field, as demanded by Bonn. The Germans, on the other hand, have had to accept strict conditions on which these negotiations could be held, as well as explicit language ruling out a so-called "third zero" — the total elimination of short range nuclear weapons. Negotiations on SNF can proceed, according to the text of Nato's new comprehensive agreement, with the aim only of achieving a partial reduction of American and Soviet missiles. The word "partial" is underlined.

That formulation has particularly pleased Mrs Thatcher, who has always warned her partners against the dangers of denuclearised Europe. Though the Germans can still argue that the phraseology does not rule out a third zero for all time, the final text falls well short of the stand that Mr Hans-Dietrich Genscher, the West German Foreign Minister, would have liked Nato to take.

However, by forcing the Alliance to re-examine its political and military strategy, the West German Government has been instrumental in persuading President Bush, and Nato as a whole, to adopt a more positive and imaginative response towards Mr Gorbachev's initiatives.

Nato still faces potentially divisive decisions in 1992 on the modernisation of its Lance short range nuclear weapon, which are likely once again to pit Bonn against Washington and London. However, for the moment at least, it is in much better shape than it has been for a long time in bringing the conventional arms talks in Vienna and the forthcoming strategic nuclear arms talks to a successful conclusion.

Healing a rift

Mr Bush's proposals have presented the Soviet Union with a real challenge. They have also contributed to healing, at least for the moment, the rift which had appeared between some of Nato's principal members over the future of short range nuclear forces (SNF) in Europe.

By setting an early deadline for the conclusion of an agreement on conventional forces, and by tabling imaginative proposals facilitating such an accord, Mr Bush managed to take some of the sting out of the nuclear missiles debate. One of the reasons why the US and Britain have opposed SNF negotiations is because they consider these missiles an essential counterweight to the Warsaw Pact's dominance in the conventional field.

Once there was a real prospect of an early agreement on the latter, it was much easier

Capture of a regulator

IF A UK housebuyer takes out a £50,000 endowment mortgage, his bank or building society can make £1,300 commission (with £750 paid immediately) for spending about 20 minutes selling him the attached insurance policy and doing the paperwork.

To pay for commissions of this magnitude, an average of about £200 is removed from every £1,000 of premiums paid by the investor in a life insurance or pensions policy.

Such large payments are the direct result of the half-hearted moves by the new investor protection agency, the Securities and Investments Board, to curb the long-standing abuses of the life insurance industry and its salesmen.

For decades, the commissions paid on the average life policy have been rising slowly to a level far higher than that on any other mass retail product or service. But over the last month many insurance companies have boosted by a further 30 per cent or 40 per cent their commissions to any "independent" brokers willing to recommend them. The companies offering such inducements include not only small new entrants and foreigners, who always used to be dismissed as rogues by the large insurance companies, but even such pillars of the establishment as Scottish Amicable, Eagle Star and Scottish Mutual.

Cosy agreement

The development was prompted by the decision last year by Lord Young, the Trade and Industry Secretary, under pressure from the Office of Fair Trading and the European Commission, to pull the rug from under a cosy agreement between the insurance companies and the regulators. This freed brokers from having to tell the customers how much commission they were earning, provided they accepted an industry-wide maximum.

The SIB could have responded to Lord Young's decision by insisting on disclosure of commissions — and expenses — in the simple form outlined above. So many caveats might then have questioned the large figures, or have been put off altogether, that effective competitive disciplines on costs could have been

restored. But instead the SIB will require insurance companies to express commissions only in the form of a complicated list of percentages, even though a survey conducted last year for the SIB showed that customers find it easier to understand a cash figure than percentages. Even worse, no disclosure will be required at the point of sale but only in the middle of a long letter sent up to two weeks later. Theoretically the customer can then cancel his policy at this point, but the insurance industry is well aware of the power of inertia selling.

Market disciplines

The SIB's only justification for this retreat is that it feared many independent brokers, to avoid disclosure of their remuneration, would become salesmen tied to a single company. But, as the OFT and several MPs have argued, the best way of holding down the payments to salesmen and overall insurance company selling costs would be to restore market disciplines by requiring them to disclose their total charges — in pounds.

For three years the SIB dithered, claiming such an approach would be technically difficult. Last week it said it would require partial disclosure, but only by showing a reduction in the investment returns customers can expect. To quote a stark figure in pounds and out of context, the SIB says, would be to give charges undue emphasis.

But insurance salesmen will take as long as they need to put the charges figure "in context". The SIB has no need to do their job by adopting for itself the old salesman's adage that, if the customer asks about the cost, tell him only in the context of the benefits. The capture of the SIB by the insurance industry is even less excusable when compared with the tough stance on price disclosure taken by most of the other new regulatory bodies such as OFTEL. The only way to tackle the problem of rising insurance commissions and charges is by ensuring that customers understand exactly how much is being taken out of their investments, in the simplest and most transparent form.

The Bush Administration's decision to name certain Japanese trading practices as "priorities" for special negotiation and possible retaliation says as much about US feelings of economic vulnerability as it does about the commercial behaviour of Japan.

The US is going through a period of agonised debate about its closest ally in the Pacific. There is a mixture of frustration, anger, envy, fear, and even xenophobia in views expressed by prominent politicians about the trading success and financial power of Japan.

The immediate cause has been the persistently high US trade deficit with Japan, the wave of large-scale Japanese investments in the US (though smaller overall than purchases by Britain and the Netherlands), and a growing concern over the Japanese edge in several vital areas of advanced technology. Opinion polls have shown that about half American voters consider Japan's economic strength a greater threat to US security than Soviet military power.

At its most basic this has been reflected in the wave of "Japan-bashing" in Congress leading up to the latest decision on trade practices under the Super 301 provision of last year's Omnibus Trade Act, and in the debates over the collaborative development and production of the FSX fighter for the Japanese air force. With characteristic lack of subtlety, Republican Senator Jesse Helms reacted in Harbour, saying that the Japanese have "skinned us many a time. They skinned us real bad in December 1941 and they are skinning us with the FSX."

In less extreme terms, considerable suspicion has been expressed by many mainstream members of Congress about Japan and its commercial intentions. Japan is seen as trading unfairly and, in the words of Senator Lloyd Bentsen, the Democratic chairman of the Senate Finance Committee: "Japan means to dominate any sector that is in the high end of the economy." Such is the feeling of unease that 72 senators (out of 100) voted for restrictions on an already renegotiated FSX deal to ensure that Japan does not gain an unfair technological advantage.

Yet the current debate goes beyond trade questions to broader issues of how the US — now a prominent debtor — comes to terms with the financial strength of Japan, the world's largest creditor nation. This has implications not just for issues such as banking, overseas investment, foreign aid and Third World debt, but also for the political question of the balance of international responsibilities. In this respect the uneasiness of US/Japanese relations is part of the general adjustment the US is having to make to a less dominant world position.

Ironically, at the very moment that President George Bush is looking beyond the doctrine of containment which has ruled US policy towards the Soviet Union for the past 40 years, the same approach is being suggested in relation to Japan. A large literature has appeared on the "Japan problem". In particular there was widespread interest in the US recently in a book and series of articles by James Fallow. He argued that "there is a basic conflict between Japanese and American interests — notwithstanding that the two countries need each other as friends — and it would be better to face it directly than to pretend that it doesn't exist. That conflict arises from Japan's inability or unwillingness to restrain the one-sided and destructive expansion of its economic power."

Similarly, in the March/April issue of Harvard Business Review, R. Taggart Murphy, a Tokyo-based US banker, argued that "Japan lacks the ideology and political commitment necessary to fulfil the obligations that go with financial power. To turn sheer financial strength into leader-

Peter Riddell examines US attitudes towards the increasing economic power and influence of Japan

Signs of strain in the Pacific friendship

ship, a country must be able to think in global terms, to view itself as a world central banker, to sacrifice certain short-term gains to maintain stable financial and trading systems. Japan does not have this world view. It holds the rest of the world at arm's length, and that separatism prevents Japan from assuming some of the important mandates of world financial leadership."

Much of the discussion in the US is more sympathetic — and there are many friends of Japan in Washington, even though they may generally be less vocal than its critics. Several studies by members of the foreign policy establishment have appeared in the last three or four months urging a broader view of the US/Japan relationship. Former Secretaries of State Henry Kissinger and Cyrus Vance have argued, in an article in Foreign Affairs, that with Japan as one of the major powers of the 21st century "the issue is how to deal with the consequences of interdependence, not how to reverse the relationship."

Similarly, a joint US/Japanese group led by Paul Volcker, the former chairman of the Federal Reserve, and Mr Yoshio Okawara, former Japanese ambassador to the US,

Half America's voters consider Japan's economic strength a greater threat than Soviet military power

last month called for a new co-operative relationship embodying "a more equitable sharing of policy-making responsibilities and the financial and political costs associated with international leadership."

So far the Administration has not given a clear lead. At one level Mr Bush is keen to demonstrate his support for close ties, as when he welcomed Mr Noboru Takeshita, the Japanese Prime Minister, to Washington in early February as his first prominent foreign guest as President. This emphasis on Japan as "a valued ally and fellow democracy" was underlined when Mr Bush visited Tokyo for the funeral of Emperor Hirohito. The message then was that Japan matters to the US and that Washington looks to a greater contribution from Tokyo to both Pacific and global problems.

However, that was immediately followed by the lengthy row in Washington over the FSX fighter project. President Bush allowed some members of his Cabinet to insist on the renegotiation of what was supposed to be a prime example of collaboration.

Senior Japanese officials argued publicly in the US that they were not being treated like close allies.

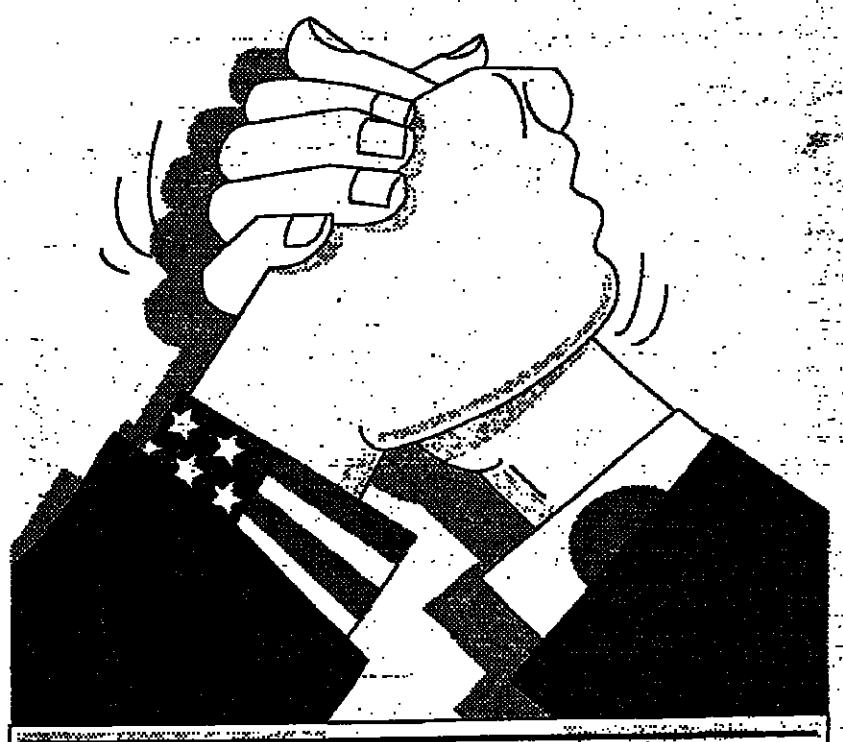
In so far as there is a coherent US approach it turns on the concept of burden-sharing — an acceptance by the US that it can no longer take the sole responsibility for international economic problems. This has been graphically illustrated by the revised debt strategy — the proposals made on March 10 by Mr Nicholas Brady, the US Treasury Secretary, for reducing the borrowing of the most indebted countries, particularly in Latin America.

It was appropriate that, owing to an accident of international time zones, the Japanese welcome came two hours before Mr Brady's speech, since Japanese support was crucial to the credibility of the plan from its inception. Indeed, a senior Treasury official later conceded that the US was not in a position "to put up additional funds as the Japanese intend to do." The US may have regretted that the \$4.5bn of new Japanese support for debtor countries would be through its Export-Import Bank — and hence an indirect boost to its exporters. But the US had to be grateful for whatever money was available, particularly as West Germany, the other main creditor nation, was unwilling to help.

Yet there has often been ambiguity in the US position — a willingness to accept Japanese money, but a reluctance to give Japan more power. The significance of the Brady initiative is that, implicitly, there is now an acceptance by the US that Japan should have a greater say in the International Monetary Fund. The US will still have the leading role, with the largest shareholding, but Japan will move from its present fifth largest share to second, ahead of Britain, West Germany and France. This should be agreed by the end of this year, though some officials in the IMF and World Bank still see Japan as reluctant to lead and looking to follow the consensus.

The same view of burden-sharing has been pursued over official assistance — where Japan is now the world's largest donor — and over defence. For instance, Japan has been encouraged by the US to be more involved in supporting the Philippines. On defence, there is again ambiguity — an acceptance that any Japanese military role should be limited and defensive combined with pressure for increased spending. This is already higher in absolute terms than European countries, but low relative to gross domestic product.

The thickest issue remains trade. Many in Congress believe that Japan is acting unfairly, not only by denying



US\$ million	1982	1984	1986	1988
All trade	-16,778	-33,560	-55,029	-35,180
Machinery ind.	-10,447	-20,916	-29,102	-32,157
Chemical goods & electronics	-13,959	-18,557	-31,962	-28,256
Food & live animals	+3,614	+4,249	+3,630	+6,389
Iron & steel	-3,816	-3,403	-2,410	-2,632
Precision & photographic equipment	-1,045	-1,784	-2,434	-2,240

access to its domestic market for US goods and services but also by seeking to target and dominate particular sectors. The FSX row reflects the fear that Japan — having achieved dominance first in consumer electronics and increasingly in capital goods — now intends to focus its efforts on the civil aviation industry. Thus it would challenge the US in one of the few sectors where it retains a technological and marketing lead.

It is argued that bilateral action with the threat of retaliation, is necessary. Mrs Carla Hills, the US Trade Representative, and Mr Robert Moskacher, the Commerce Secretary, have to some extent embraced this view. Mr Moskacher, with strong congressional support, believes there has to be a planned response to the Japanese industrial challenge. While the term "industrial policy" is anathema in the Administration, something very similar is being floated with talk of industry-led, business-government partnerships, notably the development of high definition television which the proponents claim will dampen protectionist claims.

Although the protectionist, anti-Japanese lobby has recently been the most vocal in Washington, there is also a strong free trade group led by Mr Michael Boskin, chairman of the President's Council of Economic Advisers, and Mr Richard Darman, the Budget director. They argue that only a small part, possibly less than a fifth, of the US trade deficit with Japan can be blamed on unfair trade practices. The rest is the result both of US macroeconomic policy, particularly the low level of savings and the high budget deficit, and of long-term structural weaknesses in the US, notably its inadequate level of skills and weak education system. They note that Japan's recent concentration on production benefits US con-

sumers at the expense of Japanese ones. In this respect, it is somewhat ironic that the US is seeking discussions on structural barriers in Japan. To the free traders, protectionist threats bring the risk of a trade war which will harm everyone.

President Bush is in the middle of this debate. By instinct a free trader, he also stresses fair trade and is susceptible to arguments about bilateral agreements not being honoured, as with Japan over semiconductors and telecommunications equipment. The latest announcement reflects these pressures, with the free trade group on the defensive. It was intended to satisfy the demand from Congress for strong, or at least strong-sounding, action against Japan, and has been welcomed by leading senators. The Administration hopes that its decision will not trigger immediate action from Japan. In practice, it is the least that the Administration could get away with in domestic political terms.

An evident concern both of Mr Bush and of the State Department has been to avoid alienating Japan — to warn, yet not to antagonise, especially given the uncertain state of Japanese domestic politics. A senior US official conceded that relations with Japan are less robustly based than those with Europe. While the US and Europe frequently have arguments, these do not jeopardise the underlying friendship because the ties are too strong. That is not yet the case with Japan.

The US's financial position and its international economic influence are increasingly dependent on Japanese support. Yet the political relationship has not yet adjusted accordingly. In American eyes Japan is still reluctant to assume a leading role to match its financial power. But the US itself has only partially accepted the implications of sharing its responsibilities.

Ins and outs of the City

The trouble with Who's Who, estimable publication though it is, is that it tends to retain the old English prejudice against trade. Whenever you want to look up someone in industry or commerce, the chances are that they will not be listed.

Who's Who in the City, the second edition of which is published today, ought to help to fill the gap, and to some extent it does. Certainly the number of entrants is rising: from around 7,000 last year to 8,000 this time. There is also a good deal of mobility. About 20 per cent of those listed in the first edition a year ago have since changed their posts.

As Margaret Reid notes in her introduction, the City — including the "out of London" — continues to grow. Just over a decade ago, banking finance and insurance accounted for around 1.6m jobs. By the end of last year the figure had risen to 2.5m — more than 11 per cent of the working population. Employment in the City proper is now put at several hundred thousand; more than 70,000 of them are in the foreign banking community, representing some 500 groups between them. Among the Who's Who in the City entrants, overseas nationals have gone up from 8.7 per cent to 12 per cent of the total. The biggest rise is among the Americans — up almost double to 3.7 per cent. The Japanese do not yet match them in numbers, but Japanese banks now account for almost one quarter of all bank assets, sterling and foreign currency, in the UK.

What then of personalities? K. C. Whu, now the senior deputy manager of the Bank of China, is probably the longest serving banker in Britain, having been here since 1944: recreations, tennis, reading, travel. Maurice Satchel gets in, but his brother Charles does not. (Even Who's Who proper man-

ages to include them both.) There is no Alan Sugar, chairman of Amstrad, perhaps because that does not quite count as City.

It is also clear that some entrants must have been included without having filled in the entry form. (Who's Who would not do that.) Thus one rather well-known figure is listed simply: Steffens, Guenter Z, General Manager, Dresdner Bank AG.

The favourite recreation is golf, listed by 1,275 entrants, followed by gardening (688) and skiing (458). Hunting is favoured by only 54. Anthony Simon Smith, managing director of White Foster Sheldon Daly & Co Ltd, educated at Eton and Harvard, lists gardening, collecting horseshoes and breeding worms.

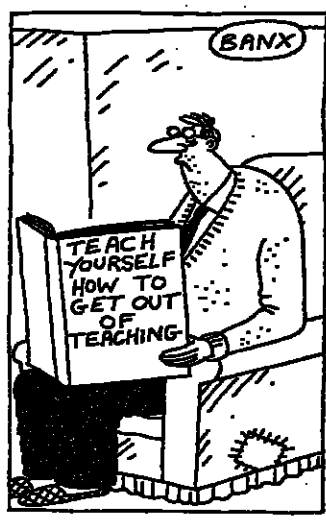
Over one quarter of the entrants were at either Oxford or Cambridge. Eton is far and away the most frequent school: nearly 6 per cent, against 2 per cent for Winchester. Brooks's is the most popular club, though closely followed by the RAC. There are only 27 references to Annabel's. Charles James Hine-Williams of Kleinwort Benson Securities may have set a record by listing 12 clubs, nearly all of them cricket. His recreations are golf, cricket, rackets, lawn tennis and real tennis.

The number of women entrants has almost doubled since last year, but is still less than 200. Nearly 400 entrants have written books, and 112 are former civil servants.

Among other extraneous items, I was interested to learn that the middle name of one of my colleagues is Enoch and that another — who seems to work very hard — lists his recreations as theatre, politics, cycling and Victorian history.

Who's Who in the City is published by London & International Publishers Ltd, 49 St James's Street, London SW1, and costs £29.

OBSERVER



Prohibition

Two hundred years after the Parisians tore down the Bastille, their descendants are to be stripped, in the name of the Revolution, of two of their most cherished rights: driving as they please, and parking where they please.

In fact, the measures announced by Pierre Verbrugghe, prefect of the Paris police, in preparation for the Bicentennial celebrations on July 14, come close to a state of martial law.

From July 10 to 17, parking will be banned outright in a vast area of central Paris, stretching from Porte Maillot to the Louvre, and from the River Seine to the Boulevard Haussmann. This is expected to drive 9,000 cars beyond the city walls to temporary parks in the Bois de Boulogne.

Traffic will be forbidden in a smaller area for the same period, and throughout the no-parking zone on July 14 itself. More than 20,000 policemen and 10,000 firemen will be there to enforce the restrictions — which are likely to infuriate a population already

thoroughly fed up with the Bicentenary — as well as to protect the heads of state who will be in Paris for the summit of the Group of Seven industrial nations, and for a parallel meeting of leaders of the Third World.

After this assault on Liberty, Fraternity, too, is to be discouraged, or at least not artificially stimulated: all sales of alcohol will be banned on July 14 along the length of the Champs Elysees.

Taxi rules

London taxi drivers are increasingly developing a habit of driving without their taxi light on, even when ready to pick up passengers. At first I thought that it was simply because they did not wish to be stopped while going home and indeed gave up hailing them. But it turns out there is a quite different reason. A taxi stopped to pick me up the other day even when I had not requested it. The driver explained that he and his colleagues are becoming more discriminating. There is plenty of demand for them, especially in these days of Underground strikes and heavy tourism. So the drivers decide to pick up whom they choose, and ignore the rest. This particular driver said that they make a guess about the sort of place a passenger might be going to, and usually get it right. That is the basis for picking people up or not. There is nothing to prevent this form of discrimination.

Moral: hail taxis even when their lights are out. Also, perhaps we need more taxis.

On the scent

Among readers' requests handed in at a Hampshire public library last week was one for a copy of The Perfumed Guardian.

WHAT FIRES DAVID GOWER? (APART FROM THE BOARD OF SELECTORS?)



GQ. The men's magazine with an IQ. June issue out now.

Lord Benson criticises the proposed legal reforms in England and Wales

Some years ago a much respected head of the Civil Service told me that he had watched many Governments come and go, and had discovered that they were defeated, not by the Opposition, but by their friends. The fighting and bickering which always goes on in politics, and the formulation of inconsistent and ill-considered measures based on political dogma, as opposed to common sense, were the cause of their downfall. The green papers on the legal profession which have been published under the authority of the Lord Chancellor in the guise of "papers for discussion" appear to announce Government policy, and are a typical example of measures which antagonise the Government's best friends.



Architect of the proposals: Lord Mackay of Clashfern, the Lord Chancellor

The character of a profession

The inconsistency of the new policy is plain. In 1983, four years after the publication of the report of the Royal Commission on Legal Services, the Government published its reaction, which in general supports the commission's recommendations. Now, six years later, the same Government has virtually reversed the policy on all the important issues.

The political dogma on which the green paper is placed is free competition, the widest choice of services for the consumer, and the abolition of restrictive practices. These are laudable objectives, but if followed blindly, without regard to the facts of the situation and to common sense, they will undermine some of the principles on which justice has hitherto been based in this country.

In seeking to impose the dogma, the green papers fail to take into account that strong competition already exists in the provision of legal services for the public; that there is already a wide choice of services for the consumer, particularly in the specialisms provided by the Bar, and that all professions need to be subject to certain restraints, not for the benefit of the members, but for the protection of the public they serve.

Five years ago my own profession of accountancy considered the principles on which a profession should be based, and the obligations the members owe to the public. They are nine in number, and are applicable to the legal profession, as they are to my own. In the accounting profession they are being partially eroded by directives from Brussels, but there is no call to allow these directives to damage other professions in this country. The nine principles are set out below, and I explain in respect of each of them how the green papers propose arrangements which disregard, or make impossible, fulfilment, most of them.

"First, the profession must be controlled by a governing body, which in professional matters directs the behaviour of its members. The members, for their part, and this is sometimes forgotten, have a responsibility to subordinate their selfish private interest in favour of support for the governing body."

large part of their lives, without remuneration, to the continuing task of raising standards, tightening disciplines, and guiding the professional performance and behaviour of its members so that they may serve the public properly. The green papers have abandoned this principle from the outset. In effect, the conduct of the legal profession is to be taken out of the hands of the existing governing bodies of the Bar and the Law Society. It will vest in a quango of part-timers (the majority of whom must not be members of the legal profession), who will advise on "legal education and conduct" and report to the Lord Chancellor, who, with his civil servants, will make the final decisions.

"Second, the governing body must set adequate standards of education as a condition of entry, and thereafter ensure that students obtain an acceptable standard of professional competence. Training and education do not stop on qualification, but must continue throughout the member's professional life."

"This responsibility will be removed from the existing governing bodies. The education and training of lawyers at the academic, vocational and post-vocational stages, and even the specialisms to be developed, will be decided by the Lord Chancellor on the advice of the quango."

"Third, the governing body must set the ethical rules and professional standards which are to be observed by the members. This should be higher than those which can be established by the general law."

By virtue of the green papers, codes of conduct and the standards of conduct expected of practitioners will be settled by the Lord Chancellor, after advice by the quango. They cannot be higher than is required by the general law, because the Lord Chancellor will settle them by statutory instrument.

"Fourth, the rules and standards enforced by the governing body must be designed for the benefit of the public, and not for the private advantage of the members."

No one knows what the part-time advisory quango will devise for the consideration of the Lord Chancellor. Its constitution suggests that it will not have the knowledge, experience or competence to carry out this task.

"Fifth, the governing body must take disciplinary action, including, if necessary, expulsion from membership, if the rules and standards it lays down are not observed or a member is guilty of bad professional work."

Disciplinary action appears to be left with the numerous professional bodies which will be brought into existence. The fitness of the governing bodies to exercise their functions will, however, be decided by the Lord Chancellor and the quango.

"Sixth, some types of work should be preserved to the profession by statute, not because it is for the advantage of the members, but because, for the protection of the public, it should be carried out only by persons with the requisite training, standards and disciplines."

work which is envisaged by the above principle is rights of audience before the courts. The issue of advocacy certificates will in future be in the hands of "a variety of professional bodies," whose fitness for the task has to be approved by the Lord Chancellor and the quango.

"Seventh, the governing body must satisfy itself that there is fair and open competition in the practice of the profession, so that the public is not at risk of being exploited. It follows that members in practice must give information to the public about their experience, competence, capacity to do the work and the fees payable."

These obligations will, in effect, be virtually removed from the existing governing bodies and taken over by the Lord Chancellor on advice by the quango. The Government has a mental blockage in believing that competition does not exist in the legal profession. There is strong competition between barristers and between the different firms of solicitors. There are about 5,900 practising barristers and between 8,000 and 9,000 solicitors firms, operating from over 11,000 offices; the public has a free and unrestricted choice as to whom to employ.

"Eighth, the members of the profession, whether in practice or employment, must be independent in thought and outlook. They must be willing to speak their minds without fear or favour. They must not allow themselves to be put under the control or dominance of any person or organisation which could impair this independence."

Independence is the most precious privilege and obligation of a professional person, and the one most highly prized by responsible citizens who seek advice from lawyers. Independence, in the above sense, will be abolished, because, in fact, all members of the profession will be under the dominance of the Lord Chancellor as advised by the quango.

"Ninth, in its particular field of learning the profession must give leadership to the public it serves."

The leadership now passes to the Lord Chancellor, his civil servants and the quango. The past record of the Lord Chancellor's Department gives little cause for optimism.

It is common ground that the legal profession needs changes to bring it fully up to date. As the green papers acknowledge, these are taking place, but the pace has hitherto been slow. The green papers, however, virtually dismantle the legal profession, without consultation or the necessary research, or the benefit of practical experience. There is no ground, except unsupported assertion, for believing that legal services will in future be provided better, or as well as they would be by the legal profession in its present form with the changes which were already in prospect.

The author was formerly President of the Institute of Chartered Accountants in England and Wales (1966-67) and Chairman of the Royal Commission on Legal Services (1976-79).

A monopoly with an expiry date

Raymond Snoddy reports on Reed International's purchase of the TV Times listings magazine

The long battle to break one of Britain's more lucrative publishing monopolies - the exclusive rights of the BBC and ITV over their programme schedules - has entered its final phase. Reed International, the publishing and information group, announced it had reached agreement to buy Independent Television Publications, the company that publishes TV Times, the commercial television listings magazine, in a deal worth £113m in cash plus a pre-sale dividend of £10m.

If the agreement is approved next week by 75 per cent of the ITV companies that now own ITV it will be the first time in the UK that a non-broadcaster has controlled the publishing of television listings. The sale comes as the European Commission and the Home Office are both examining the listings monopoly.

The change of ownership at TV Times and the new Broadcasting Act will together reignite the debate, says Mr Tony Elliott, publisher of the magazine Time Out. He has been campaigning against the monopoly since 1982, and would like to open his own comprehensive listings magazine as soon as it is legal to do so. "It's got to be different now. Why on earth should a publisher trade unfairly for an unspecified period of time with public information?" asks Mr Elliott.

The uncertainty over the listings monopoly was one of the reasons why the ITV companies, whose main preoccupation now is surviving a process of competitive tender to retain their franchises through the 1990s, decided to take the money and run.

That uncertainty is reflected in the price Reed was prepared to pay for a business expected to have net profits of £24.1m in the year to July. In addition to the cash price, Reed will pay an additional £2m a quarter for every quarter that the monopoly survives over the next three and a half years.

"It's a reasonable price for a deregulated title, and a bargain price for a temporary situation," says Mr Nigel Stapleton, Reed's finance director. His best guess is that the "tempo-

rary" monopoly position will survive for between one and two years.

Until the monopoly is finally cast aside - or more probably until the BBC and ITV are required to license their schedules to other publishers, Reed will be able to offer more than 9m readers a week the only full advance listings of both TV and Channel 4 programme schedules. (Newspapers can carry listings 24 hours in advance on weekdays and 48 hours at the weekend.)

Reed confirmed yesterday that it had managed to tie Channel 4 into the deal. Mr Michael Grade, chief executive of Channel 4 had warned that he might take his listings elsewhere when the Channel 4 contract with ITV expires at the end of this year. Instead, Reed and ITV will have an exclusive arrangement with Channel 4 - at least as long as such exclusivity is legal.

The real question now is how long a life there will be for the peculiar British anomaly that viewers have to buy two TV magazines

magazines, and with the advent of cable and satellite television at least three, to be able to plan their viewing in advance.

In countries as diverse as France, Finland, Switzerland, Sweden and the US, programme schedules are provided to competing publishers free of charge. According to opponents of the UK listings monopoly, Belgium has no fewer than 32 listings magazines. In West Germany, a country with 24m households (compared with 21m in the UK), there are nine competing listings magazines and four television supplements distributed free with newspapers.

The listings monopoly was nearly overturned in 1985 when the Monopolies and Mergers Commission investi-

gated it. At the time senior BBC executives were braced to lose. The commission's report found that both the BBC and ITV were engaging in an anti-competitive process but decided on the casting vote of the chairman Sir Godfrey Le Queux that this was not open to challenge. The public interest was that no-one else would provide the same detail on regional programmes or radio.

Since then, the tide has started to run much more strongly against the monopoly. In Ireland, the BBC, TTP and RTE, the Irish broadcaster, are awaiting the outcome of their appeal against a ruling that withholding their schedules from Magill must be an abuse of their powers.

In December 1988 the European Commission decided that the times and titles of programmes "should be in the public domain."

There will now be a full hearing of the issue before the European Court of Justice, which is likely to start in something between 12 months and two years. A further attack on the monopoly is also likely to come from the UK Government. Home Office officials have been asked to look into how it could be done.

"The political will is there - the problem is the means," says one official. The problem is that last year, the overhaul of Britain's copyright law strengthened the concept of intellectual property and with it the position of the broadcasters.

Once the monopoly goes, the market will be flooded with competitors, including newspaper supplements and rival magazines. Mr Rupert Murdoch, for example, would like to turn TV Guide, his new gazette in the UK, into a full listings magazine after the fashion of its US namesake.

But these would-be competitors may have to be patient. Though ministers appear determined to stamp out another small monopoly, they could well decide to leave the issue to Brussels rather than changing UK law first. If that is so, Reed will have got a bargain in TV Times.

LETTERS

Delays at court

From Mr Richard Wright
In March 1981 Mr A.H. Hermann, your legal correspondent, published an article entitled "A red light for English Courts." It concentrated on the poor administration of the court system and it drew from Lord Haleham, the then Lord Chancellor, a stinging rebuke.

In answer to Mr Hermann's view that the legal aid system was only available to the very poor, the rebuke contained the remarkable statement that the system "covered about three quarters of the population."

On the same day as you published Lord Haleham's letter you published a letter from me headed "Overhaul the legal system." I remain convinced that the delay and expense of civil litigation in England and Wales is not primarily because of the legal profession but rather the lack of facilities and manpower in the administrative part of the court system itself.

I called for the Lord Chancellor's Department to be examined in the House of Lords it is, in effect, cocooned; the House of Commons seems unable to discover much about the workings of the department. The practices of the Bar, and of solicitors, can be improved, but the primary reasons for delay are:

- Inadequate numbers of judges;
- Inadequate court facilities;
- Inadequate numbers of court staff;
- Unreasonably complicated court procedures.

What is not generally known is that over these items neither the Bar nor the Law Society has any control. They are all the responsibility, in one degree or another, of the Lord Chancellor and the judiciary.

Interpreting Brunei

From The High Commissioner of Brunei Darussalam
Sir, The review of Lord Chalmers' book, by God's Will, (May 11) contains surprising comments. Whether or not Lord Chalmers claims much credit for his research, I assure you that it was thorough and comprehensive.

'Eurocracy' can be checked

From Mr Simon Allison
Mrs Thatcher's objection to the European Commission's proposals for the Lingua programme, and for standard health warnings on cigarette packets, reveals the contradictory nature of her position on Europe. On the one hand she supports the concept of 1992. On the other, she rejects any moves towards a regulated federal system.

Yet 1992 implies a "level playing field." This demands supra-national standards, not because it is for the advantage of the members, but because, for the protection of the public, it should be carried out only by persons with the requisite training, standards and disciplines."

Europe's civil servants

From Sir Robin Williams
Sir, Your leading article "Britain's role in Europe" (May 17) observes that the European Commission employs a much smaller staff than most UK government departments.

In asserting this you overlook the fact that most staff who operate the European Community system are on the national payrolls of member countries. For example, the staff of the customs service in all 12 member countries are exclusively employed in working for the EC because customs duties are treated as "own resources" of the Community, and are paid into its central fund, not into national exchequers.

Jams made in London

From Mr P.J. Bull
Sir, Your leader, "The cost of a journey" (May 8), and suggested charge for driving in London based on distance travelled, time of use, and so on, is wide of the mark. And Mr Andrew Tylecote, of Sheffield's School of Management and Economic Studies (Letters, May 11), has clearly not understood that the problem is more one of impediments to traffic flow than traffic volume.

Delays are attributable to a variety of culprits. A few recent examples are: • Building construction on both sides of Trafalgar Square, in St Martin's Lane and on Hyde Park Corner (construction vehicles hold up traffic); • Digging up streets (Bond Street now, Chelsea Embankment and Warwick Way last year), allowed to take months instead of weeks;

• Sightseeing coaches and ice-cream vans permitted to park in Trafalgar Square and Parliament Square (why?); • Coaches dawdling around the sights of London; • Conversion of stretches of the Embankment into parking lots for tourist coaches, causing through traffic delays when the coaches move in or out of the bays; • Delivery vans and illegal parkers allowed to get away with it "for a minute or two."

example, merger policy) these bodies already hold sway over both the 12 national parliaments of the EC member states, and their European counterparts.

With the Single European Act now in place, such Eurocracy can only be checked by giving real powers to the European Parliament and establishing, eventually, a federal constitution which determines what type of decisions are taken at the centre, and which are left to national governments.

Simon Allison, The European Movement, Whitehall Place, SW1

Similarly, the staffs of the intervention boards for agricultural produce, who store the "food mountains," are exclusively engaged in operating the common agricultural policy. Britain had no intervention board for agricultural produce before EC membership.

Delivery vans and illegal parkers allowed to get away with it "for a minute or two." These are all symptoms of maladministration. No single London authority has overriding responsibility for ensuring that priority is given to the flow of traffic.

Why globber, with additional taxation, the driver not parking illegally nor causing inconvenience to others? Electronic road pricing would not tackle the causes. It would simply divert attention from the real problem.

P.J. Bull, 38 Radnor Walk, SW5



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Arrests heighten tension as Peking protest goes on

By Robert Thomson and Peter Ellingsen in Peking

THOUSANDS of Peking residents gathered in Tiananmen Square last night to condemn the earlier arrests of three men who had formed an independent workers' union.

The arrests of the three, two of them railway employees, could herald a broader crackdown against dissent. The men were taken to a police station near the square, which was soon surrounded by a large and angry crowd of protesters.

The arrests followed the detention of 11 motorcyclists who were part of a band called the "Flying tigers brigade" which has kept students aware of troop movements around the city. The bikers, mostly young entrepreneurs, have been accused of attempting to organise a strike among the workers threatening police and stealing petrol.

Last night, the square was crowded with curious workers who had heard about the "goddess of democracy" statue erected by the students despite harsh warnings on national television that the building of the monument was an unpatriotic act.

Xinhua, the official news agency, carried a demand that the statue be removed and said that its presence was "an insult to the national dignity and image." Loudspeakers in the square broadcast messages from the Peking Government characterising the statue as anti-Chinese and pro-American. The students have threatened to concretise it in place.

The Communist Party infighting, meanwhile, remained unresolved yesterday, indicating that Deng and his associates are having difficulty convincing at least a few officials of the need for a purge.

Zhao Ziyang, the party general-secretary, Qin Jiwei, the Defence Minister, and several other leaders are expected to lose their jobs in coming days for having conspired against Deng and for having allowed the spread of bourgeois ideas.

Officials with links to a welfare fund run by Deng's disabled son, Deng Pufang, have been negotiating with the students and claim to have the implicit support of the paramount leader in offering a package of compromises in exchange for an end to the protests.

The students had planned to leave the square yesterday, but many demonstrators decided to stay on until the National People's Congress, China's parliament, meets on June 30. Discussion of political reform is to be on the Congress's agenda.

Deng, aside from his problems with the party, is also concerned about his influence in the Congress, which is chaired by Wan Li, a reformer who has expressed his support for Li Peng and the introduction of a new constitution. Li is, however, widely considered to be waiting for the right moment to move against the present conservative leadership.



Reaching for reform: Students yesterday erect a "goddess of democracy," modelled on the US Statue of Liberty

Indian paper fights corruption

David Housego on a folk hero whose principles are not for sale

ONE OF THE first things I do each morning," says a senior Indian civil servant, "is read the Indian Express."

For both the opponents of Prime Minister Mr Rajiv Gandhi's Government and those who stand to lose by the paper's disclosures of corruption and influence-mongering in high places, the Indian Express has become an increasingly important landmark of political life in India.

During the session of parliament just ended, the Express provided the Opposition with the material for three of the main issues on which it challenged the Government. The Express:

Leaked the contents of the confidential Thakkar report into the circumstances of former Prime Minister Mrs Indira Gandhi's assassination — thus revealing that Mr Gandhi had appointed as his close adviser a man whom the government appointed commission alleged was implicated in the conspiracy to murder his mother;

Disclosed that Mr Balram Jhakar, Speaker of the Lok Sabha (lower house), had been assisting an American businessman to promote a machine for manufacturing fibres from seed cotton which cost Rs1.1m of customs duty had not been paid; and

Published a draft text of the Panchayat Raj Bill which proposed more village-level decentralisation before it had reached parliament — thus putting pressure on the Government to modify clauses which seemed to reduce the power of the state legislatures.

The paper has also just made

A damaging parliamentary report into alleged irregularities over the purchase of West German submarines for the Indian Navy is likely to provide fresh ammunition to opponents of Mr Rajiv Gandhi, India's Prime Minister, writes K K Sharma from New Delhi.

Mr Gandhi has faced persistent attacks during the last three years over allegations concerning pay-offs in defence deals to friends and associates. According to weekend editions of the Express and the Statesman newspapers, the report by Parliament's Public

damaging disclosures on the alleged suppression of a parliamentary committee report on the purchase of German submarines.

The Express is owned by Mr Ramnath Goenka, 87, who defied Mrs Gandhi's Emergency in the 1970s and likes nothing more than a stand-up fight with government. But the recent revelations have been master-minded by Mr Arun Shourie, whom Mr Goenka had sacked but brought back in 1987.

Mr Shourie is a moralist with what in Europe would seem an almost Biblical mission to root out corruption and wrongdoing in Indian public life. Self-righteous, iconoclastic, often shrill and verbose — his articles can run to several thousand words — he can also be funny and irreverent.

After the Speaker's involvement in the promotion of a far machine had emerged, Mr Shourie ridiculed him in an article that quoted speech after

speech of Mr Jhakar's in defence of "the primacy of moral values and ethical conduct in our public life". He ended the article by urging people: "Each time the Jhakar's mouth humbly says 'Fodder'."

Quietly spoken and intense, he has worked for the World Bank and written books on religion. He is not popular with other journalists. Many in and out of government see him as obsessive in his attacks on Mr Gandhi and his administration. He says his task is "to help people see the face of our rulers — their competence, their cleverness, their incompetence and bumbling around."

The Express, more than any other newspaper, gets its succession of leaks because it is seen as willing to stand up against injustice and corruption. In this way Mr Shourie has become something of a folk hero who is accorded wherever he goes, a belief that a far greater responsibility has devolved on the press because other institutions such as the

judiciary or parliament have become weak-kneed.

But since only a parliamentary opposition can legally bring down a government, he blames them for failing to exploit their opportunities. He thinks their divisions and the ineffectiveness of their leadership could have "irretrievably harmed their chances" of winning the next election.

The Express has already come to feel the impact of the growing perception that the opposition could lose. Until recently, magistrates and officials discreetly circumvented some of the legal and tax cases the Government brought against the paper.

The Express has had to pay heavily for its opposition. Loans from the state-owned banking sector have stopped. For years it has had no advertising from the Government or public sector corporations. It faces 230 charges from different government departments.

Most recently, Mr Shourie says, it faces income tax demands involving Rs100m. In India, those facing income tax charges have to pay first and appeal afterwards.

The paper survives on rental income from its properties, which grew by 30 per cent in 1987 when the scandal over the Swedish arms group Bofors and other scandals were in the news, and flattened out.

Mr Shourie clearly believes he has plenty of ammunition tucked away and ready to fire before the election. But if the Prime Minister should come back with the majority he has now, then "in three weeks he will finish us."

Tbilisi riot measures split Soviet parliament

By Quentin Peel in Moscow

BITTER DEBATE over the use of soldiers against unarmed demonstrators in Tbilisi, Georgia, last month, which led to 20 deaths, yesterday split the new Soviet supreme parliament.

Colonel-General Igor Rodionov, commander of the Transcaucasian military district, charged that the situation in the Soviet Union today was worse than in 1937 — at the height of Stalin's bloody purges of political opponents.

He delivered a furious defence of the use of troops to break up a nationalist demonstration in the Georgian capital, in an emotional, televised debate which split the new Congress of People Deputies, the country's supreme parliament, down the middle.

At the same time Mr Dzhumbar Patsashvili, leader of the Georgian Communist Party at the time of the tragedy, claimed that the decision to use the troops had been taken in Moscow and accused Mr Viktor Chebrikov, former head of the KGB, and General Dmitri Yazov, Defence Minister, of being involved.

While accepting responsibility for the tragedy, he also attacked the army commander for failing to admit that his troops used sharpened shovels and toxic gases on the demonstrators. Earlier, General Rodionov was accused of launching a punitive operation against peaceful demonstrators, deliberately designed to teach them a lesson.

Professor Thomas Gamkrelidze, head of a Georgian inquiry into the tragedy, said the troops commanded by General Rodionov had used "sharpened shovels, truncheons and toxic gases" in the attack.

"These troops are regarded by the people as professional murderers," he said, to repeated applause from one half of the Congress. The military operation was "conceived not with the aim of dispersing a peaceful demonstration, but as a punitive operation to destroy innocent people."

Fourteen of the 16 who died on the night of the demonstration were women. General Rodionov's response amounted to little short of an outright attack on Mr Mikhail Gorbachev's perestroika, and the upsurge in nationalism and open press reporting to which it has given rise.

He blamed the entire Georgian demonstration, and its tragic outcome, on incitement and provocation by extremists. It was "anti-Soviet, anti-Socialist and anti-Russian." He quoted slogans saying: "Let us put an end to Russian Communism, to Russian imperialism."

£ comes under new pressure

Continued from Page 1

at Y142.745. The Dow Jones Industrial Average closed 18.22 down at 2,475.55.

The predicted rise in Japan's discount rate from 2.5 per cent to 3.25 per cent and a bout of intervention by the Bank of Japan had already been well discounted.

In New York, trading was very active in the dollar with two different views in the market producing heavy volume.

Some dealers have become more cautious in the wake of the Japanese discount rate rise because of widespread speculation that the US Federal Reserve may be considering a complimentary easing in US interest rates.

Others remain bullish about the dollar, partly because they believe the economy is still robust outside a few isolated sectors and that any easing in interest rates will be minor given concern among Fed officials about inflation.

US says stand on unfair trade could expand world markets

By Peter Norman in Paris

THE US decision to name Japan, Brazil and India as unfair trading partners could be seen as a way of opening markets and expanding world trade, said Mrs Carla Hills, the US special trade representative yesterday.

At a press conference in Paris, she said that US use of the so-called Super 301 provisions of last year's Trade Act would benefit other countries besides the US and was therefore supportive of the multilateral trading system.

She said that the priority for the US was to bring the Uruguay Round of trade liberalisation talks to a successful conclusion by the deadline of December 1990. The US wanted to expand coverage of the General Agreement on Tariffs and Trade (GATT) to prepare it for the 21st century by adding ser-

vices, intellectual property, agriculture and international investment to its present areas of responsibility.

Mrs Hills, a top Washington lawyer before joining the Bush Administration, showed her legal training to advantage in her robust defence of the US decision to implement the Super 301 provisions against selected trading partners.

She countered suggestions that the Act's prescription of bilateral talks with, and eventual US retaliation against, supposedly unfair trading partners would undermine the multilateral trading system enshrined in the GATT.

She said that other countries had benefited from earlier US bilateral trade talks with Japan, Australia, for example, was profiting from the US success of opening up the Japa-

nese market for beef, while Italy was very much enjoying the results of the US opening of the Japanese market for citrus products.

The Super 301 decisions were to be seen as a move, using the leverage of the large US open domestic market, to expand the multilateral trading system, she said.

It is unlikely that US trading partners will take such a benign view of Washington's moves in the two day annual ministerial conference of the Organisation for Economic Co-operation and Development which opens in Paris today.

It is uncertain whether Japan, which is the only named "unfair trader" in the OECD, will consent to bilateral talks with the US on the issues raised by last week's decision.

Nato short-range weapons compromise

Continued from Page 1

sets out its future policy framework for arms control.

Nato leaders also adopted an alliance policy proposal put forward by Mr Bush for the Vienna talks. These envisage a 20 per cent cut in US troops in Europe and bigger Soviet reductions in Eastern Europe to match a new US level of 275,000. They also signal Nato's agreement to extend the scope of the talks to combat aircraft and helicopters, aiming at totals 15 per cent below current Nato levels.

Mr Bush's hope for an agree-

ment in six months to one year was described by Mrs Thatcher, however, as "very optimistic." Mr Shevardnadze, in Paris for a human rights conference, called the proposal for speeding up the Vienna talks an "attractive idea" though he too questioned its feasibility.

Both Mrs Thatcher and President Francois Mitterrand of France also insisted that reductions in aircraft should not touch upon their countries' nuclear air-strike capability. Mr Mitterrand said, however,

that this did not stop him from agreeing to the US arms control proposals.

Nato's Comprehensive Concept sets out aims for East-West relations, security and arms control. It reaffirms principles set out for the alliance in the 1967 Harmel Report.

In their declaration at the end of the summit, Nato leaders made a strong statement on the role of the alliance.

"We want to overcome the painful division of Europe which we have never accepted," they said.

A strange calm in equities

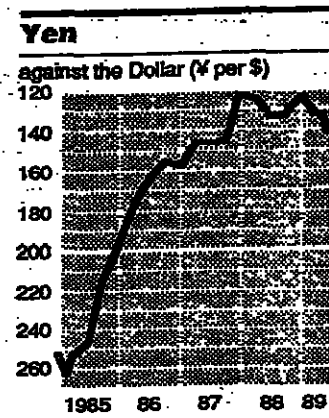
The Japanese did their bit to give the interest rate merry-go-round another whirl yesterday, and the West Germans are overdue for a move. It is looking increasingly likely that Britain will have to jump its turn and have another go at raising base rates if the pound keeps on behaving like it did yesterday. The failure of the steady rise in global interest rates to halt the dollar's surge is of obvious concern to the world's central bankers, but the equity markets remain remarkably unconcerned. Several European stock markets are at or around their all-time highs, the West German market is at a 1989 peak and the UK market has held up surprisingly well so far.

If global interest rates continue to rise unchecked, the chances of the world economy slipping into a deep and painful recession increase. But for the moment, these risks are more than outweighed by the belief that the US authorities will ease their monetary policy rather than let the economy go into a steep decline. Equity markets are looking through the current economic slowdown, into a period when inflation is subdued and corporate profit growth is once again on a rising trend. This optimism may prove well founded eventually, but the longer the dollar's ease continues the greater the risks.

The UK economy is more vulnerable than most. Last week's defensive rise in UK interest rates was an embarrassing failure, and the result is that the UK authorities now face a serious policy dilemma. To re-establish the credibility of their anti-inflationary policies, some serious shock treatment is needed. This is unlikely to be palatable either to the UK equity market, or to their political supporters.

Gateway

It rather looks as if the increased offer for Gateway will do the trick. In its raid on the market yesterday, Isoscelis claims to have achieved its £100m spending target in just 12 minutes, and even Mr Gerry Weston, it appears, sees the new offer as a material improvement. Indeed, though the takeover price is £2.10, Isoscelis does not more than make up for the rise in the food retailing sector since the first offer was made, it is in one respect rather generous. Those who have spent two years researching it, with a view to launching its own product after deregulation. In any case, this kind of



company, while still pocketing the original 1989.
It therefore seems that the only hope for a higher price lies with Mr Monk. Doubtless, he will have been busy on alternatives, but he only has about five weeks left. In fact, the market has never had much faith in a deal offer, whether inspired by Mr Monk or not. The whole Gateway situation has become very messy, and anyone else getting involved would have to be either from outside the UK, or outside the retailing sector. It is asking a good deal.

Reed International

It is a little unfortunate that Reed's latest deal should be so hard to value, given that its shares have underperformed the market by 28 per cent in the past 10 months. The TV Times programme monopoly is likely to be outlawed some time between now and 1992, when the present TV contractors' franchises expire. The deal therefore falls into two phases: Reed is paying maybe six times earnings for the first couple of years or so, then taking a punt on what happens under deregulation.

It can be assumed that Mr Murdoch, already involved in UK TV listings, will step up the competition in an open market. But Reed is paying for advance expertise, and can point to the example of West Germany, where four or five big publications are claimed to make a decent living. As market leader with 3m circulation, TV Times should be difficult to dislodge; and though Reed is new to the market, it claims to have spent two years researching it, with a view to launching its own product after deregulation. In any case, this kind of

thing lies so clearly within IPC's range of competence that it deserves the benefit of the doubt. It is merely a pity that it will take the market so long to see the proof.

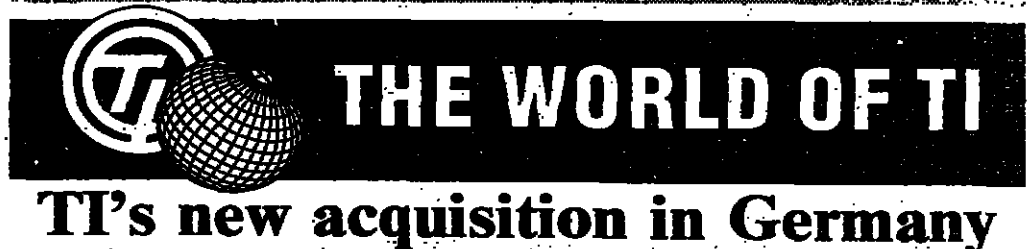
Sedgwick

Sedgwick's financial performance over the last few years has been so disappointing that the stock market cannot make up its mind whether the company should be regarded as an interesting recovery stock, or an obvious takeover target. Judging by yesterday's rise in the share price on news that the standstill agreement with Transamerica Corporation — was being terminated, the takeover story still carries considerable weight, even if it is almost certainly overdone.

Although Transamerica would be free to bid early next year, there are several reasons why it is an unlikely suitor. Sedgwick is already valued at close to 20 times prospective earnings, and the goodwill Transamerica would have to absorb would play havoc with its balance sheet ratios. Sedgwick's new management team is beginning to get to grips with the group's expense problems, and provided the insurance cycle begins to improve, it should be able to earn £300m plus in a couple of years. However, the takeover possibilities will re-emerge if Sedgwick fails to perform, or if Transamerica itself become a takeover target.

Biotechnology

The move by two big Japanese companies into Bio-Isolates completes a familiar cycle among biotechnology stocks. First the flotation, complete with wild optimism about time and resources needed: then the surge and collapse of the share price; then the arrival of the big corporations actually equipped to take the technology forward. Bio-Isolates was never a true biotechnology stock at all, but in the hi-tech investment atmosphere of 1982 that was a mere quibble. Flotated at 85p, the shares went to 450p, and by the first rights issue in 1985 were back to 38p again. The story has parallels in other markets. Even the most commercially successful of the biotechnology companies, Genentech of the US, has fallen far short of its initial promise. Doubtless, the cycle is past its trough; but it may be asked whether biotechnology will ever be a serious target for portfolio investment again.



TI's new acquisition in Germany

WITH THE acquisition of Mecano-Bundy GmbH, TI has just taken another important step to consolidate Bundy International as the world leader in small diameter coupled tube and hose systems.

First came the 1987 purchases of Armeo's European small diameter tube interests and of ITT's 49% holding in Fulton. These were followed in April 1988 by the acquisition of Bundy Corporation, which was not only North America's largest manufacturer of small diameter tubing but also had subsidiaries and interests in many parts of the world. Among these was Mecano-Bundy, a Heidelberg company in which Mannesmann AG held 60% and Bundy 40%.

This March TI agreed to buy Mannesmann's holding for approximately £22 million and this move has just received the necessary regulatory approvals in Germany. TI is now sole owner of a company which last year produced profits before tax of £4.5 million on a turnover of nearly £39 million, and which has 850 employees.

Expanding into new markets As TI has expanded its small diameter tube business from its original success with Fulton, each step has brought obvious benefits in market presence. Armeo SDT brought European leadership, Bundy Corporation brought North American leadership, and combining them with Fulton resulted in a world leadership position for Bundy International. The acquisition of Mecano-Bundy consolidates Bundy as the European market leader by providing a manufacturing base and market presence in West Germany, a significant marketplace for Bundy's products.

Developing technology But there is another, less obvious but highly important, benefit in this programme: building a sustainable technological leadership position. Armeo, once a licensee of Bundy Corporation, had over several years further developed its own technology and this made a significant addition to TI's Fulton technology. Acquiring Bundy Corporation provided access to the latest developments of the original technology for double walled tube. Now Mecano-Bundy brings not only a different aspect of this technology but also expertise in nylon extrusion and manipulation, valve technology and a fittings capability.

Benefits of course flow two ways. Mecano-Bundy will now be fully integrated into Bundy International's global strategy and will have new opportunities.

For growth. It will have access to Bundy International's wealth of patented knowledge, systems capability and coatings technology. It will contribute to Bundy International's ability to identify problems and provide engineering solutions in products ready for installation in automotive, refrigeration, aerospace and industrial applications. This systems capability now offers the unique range of hybrid materials - double and single walled tube, stainless tube and Teflon and nylon hose - which provide optimum solutions to customers' needs.

Growth prospects

Commenting on the Mecano-Bundy acquisition, Sid Taylor, President and Managing Director of Bundy International, says: "There are exciting growth prospects for Mecano-Bundy as part of Bundy International. We now have a European operation which manufactures in Belgium, Denmark, France, Italy, Spain, Sweden, West Germany and the UK. The addition of Mecano-Bundy will improve our unrivalled global service to customers by offering a complete range of high performance products and systems that incorporates the best technologies in the world."



WORLD WEATHER		
Algeria	18 C	63 F
Amman	15 C	59 F
Bangkok	25 C	77 F
Beijing	10 C	50 F
Bombay	28 C	82 F
Brussels	15 C	59 F
Calcutta	28 C	82 F
Cairo	18 C	63 F
Colon	25 C	77 F
Hong Kong	25 C	77 F
London	15 C	59 F
Los Angeles	15 C	59 F
Madrid	18 C	63 F
Mumbai	28 C	82 F
New York	15 C	59 F
Osaka	18 C	63 F
Paris	15 C	59 F
Perth	18 C	63 F
Port of Spain	25 C	77 F
Rangoon	25 C	77 F
Singapore	25 C	77 F
Taipei	25 C	77 F
Tokyo	18 C	63 F
Washington	18 C	63 F
Zurich	15 C	59 F

Nato short-range weapons compromise		
Algeria	18 C	63 F
Amman	15 C	59 F
Bangkok	25 C	77 F
Beijing	10 C	50 F
Bombay	28 C	82 F
Brussels	15 C	59 F
Calcutta	28 C	82 F
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Singapore	25 C	77 F
Taipei	25 C	77 F
Tokyo	18 C	63 F
Washington	18 C	63 F
Zurich	15 C	59 F

INTERNATIONAL COMPANIES AND FINANCE

Fiat races to peak profit, plans to buy back shares

By Alan Friedman in Milan

FIAT, the Italian motor group, yesterday unveiled record profits and announced plans to spend up to L1,000bn this year to buy back shares.

The share buy-back plan comes 32 months after Fiat arranged for a consortium of banks to acquire two-thirds of a \$3.1bn block of Fiat equity that was sold by the Libyan Arab Foreign Investment Company (Lafico).

This share sale, which left many underwriters with large blocks of unsold Fiat stock, has for the past two years kept Fiat shares at an unrealistically depressed level despite strong earnings.

Details of the buy-back plan will be revealed at Fiat's

annual meeting next month. If it spends the full L1,000bn this would represent just over 5 per cent of group share capital, including ordinary, savings and preferred stock.

Ms Dagmar Bottenbruch, a London-based analyst of First Boston of the US yesterday welcomed the buy-back plan. She declared: "It was urgently and desperately needed that Fiat did something because the share price has not reflected the company's excellent operating performance."

For 1988, consolidated net profit increased by 27.5 per cent to L3,026bn (\$2,082bn). Turnover showed an improvement of 15.3 per cent to L44,308bn. Net cash balance at

the end of last year was L2,349bn. The number of employees totalled 277,353.

The car division claimed to have 14.9 per cent of the European market, meaning that Fiat was last year in a neck-and-neck race with Volkswagen for European leadership. Fiat Auto produced L3,136bn of operating profits last year, or 55.9 per cent of the group's L3,823bn of operating income, which was itself 23.2 per cent up on 1987's group total.

Fiat is proposing to pay a 1988 dividend of L320 per ordinary and non-voting preferred share, an increase of 18.5 per cent, and L350 per non-voting savings share, up 16.7 per cent on 1987.

Japanese invest in UK biotech company

By John Ridding in London

BIO-ISOLATES, a small British company which manufactures a high-protein food ingredient from cheese by-products, has turned to two Japanese groups for capital to fund future development.

Meiji Milk Products, one of Japan's three largest dairy product companies, and Mitsubishi Corporation, the trading house, are to take a joint 22 per cent stake in Bio-Isolates for about \$2.3m (\$3.7m). Mitsubishi will also provide a secured loan of \$2.5m.

In return, Mitsubishi and Meiji Milk Products will be granted 10-year exclusive distribution rights for Bio-Isolates' products in Japan, the company's leading market.

Mr Derek Gleeson, Bio-Isolates general manager, said yesterday that the Japanese were the first to recognise the potential of Bipro, a protein-rich white powder derived from whey. This was developed in the late 1970s by two chemical engineers and is free of fat and cholesterol.

Japan accounts for about 40 per cent of Bio-Isolates' turnover, and sales in the country are expected to double this year. Bipro is mainly used in meat processing in Japan, unlike the US where it is used in frozen dairy desserts.

The deal is the latest move in Bio-Isolates' chequered history, during which the company has sought a series of new backers since its flotation on the unlisted securities market in 1982. According to the company, they received several approaches concerning the latest search for funds.

Since its flotation, Bio-Isolates has accumulated losses of \$2.8m and the share price has been volatile, climbing from 50p to 425p in 1982-83, before a steady decline which took it to just 10p in 1986. Yesterday, the shares closed up 15p at 53p, compared to the 82p and 80p that the Japanese will pay in the two-stage deal.

There have also been many changes over the years in Bio-Isolates' management. This pattern continued yesterday with the resignation of Mr Alan Staple as chief executive. Lex, page 20

Banesto steers towards recovery

Peter Bruce previews the latest study of the troubled Spanish bank

Banco Espanol de Credito (Banesto), the Spanish bank which has been weighed down by heavy provisions, is now rapidly recovering, says a report to be published soon. The report predicts "a very important improvement" in Banesto's results next year.

The report, written by Research Associates, a group of independent Madrid analysts, is the first comprehensive study of Banesto's position since its controversial merger attempt with Banco Central failed in February this year.

It comes as Mr Mario Conde, Banesto's president, is finally winning his battle to bring new blood on to the board and to limit the power of older, more traditional members. The study is the first positive assessment of Banesto's core banking activities since it was forced to make special provisions worth Pta65bn (\$294.2m) in 1986 after the collapse of a Catalan affiliate, Banca Garriga Nogues. Since then, Banesto has been fiercely criticised for poor banking practices and for selling bank assets to industrial and financial affiliates to disguise losses.

But, says Research Associates, which has had direct access both to Banesto's

accounts and the highly secretive Mr Conde, Banesto's banking cash-flow increased by 31 per cent last year to Pta99.6bn. If disposals are excluded, the increase was 83 per cent. Net interest income and commissions rose 5 per cent last year to Pta140bn.

Banesto has spent some Pta220bn in provisions in the last three years to meet Bank of Spain liquidity requirements and to cover bad debts and losses. It still has to make about Pta30bn in provisions but the analysts feel the process is now all but complete.

Mr Conde wins praise from the report for deciding to build on Banesto's traditional strengths in banking - its network of more than 2,000 branches is the second biggest in the country - by staying close to retail customers and for not trying to follow other competitors into highly specialist products and services including merchant banking.

Although credit risks may be higher in retail banking, the report argues these are mitigated by the sheer number of Banesto's customers.

"As part of the strengthening of the bank's traditional business, Mr Conde is presently trying to regroup Banesto's industrial holdings under a



Mario Conde: winning his boardroom battle

new company and so remove them from its balance sheet. The bank wants to replace these with higher yielding credits and, at the same time, give a much truer picture of its own value.

The report estimates that the capital gains generated by placing Banesto's huge industrial interests under a new holding company could be as much as Pta80bn, which the bank will make over to reserves.

The Government has the power to defer tax on 99 per cent of this but has so far

proved reluctant to do so. Research Associates says that boardroom in-fighting and the messy failure of the merger with Banco Central has badly damaged Banesto's image in the local and international financial communities, but Mr Conde finally appears to be making real progress in cleaning up the bank's leadership as well as its accounts.

Next month shareholders will be asked to approve changes to the bank's statutes, including limiting the age of directors to 70 and that of individual voting rights to 10 per cent of the bank's equity. Motions affecting banking business must also represent 10 per cent of equity when put, and the statutes will only be changeable with a two-thirds majority.

Mr Conde has, in the past few months, been feverishly directing shares into friendly hands - most recently the Asiad cement group bought 2.5 per cent of the bank - and at least four new faces are likely to join the board in June. Some older members have either agreed to leave or are under pressure to do so. It looks as though Mr Conde's newly-formed board will control about 23 per cent of Banesto.

Suez earnings soar by 27%

By George Graham in Paris

COMPAGNIE Financière de Suez, the French banking and industrial conglomerate which last year took control of Société Générale de Belgique (SGB), yesterday reported a 27 per cent rise in net 1988 profits to FF2,727bn (\$401m), and forecast 1989 earnings up by at least a third to more than FF3,66bn.

Mr Renaud de la Genière, Suez's chairman, said the estimate was very conservative and that prospects were extremely favourable.

"After the ploughing, it is now time for the harvest," he said.

Suez's group operating profit rose 23 per cent to FF1,599bn, while capital operations produced earnings 32 per cent higher at FF1,111bn, thanks partly to lower provisions on the group's securities portfolios.

Earnings per share are expected to grow more modestly to at least FF37.3 from FF35 last year, as the exercise of outstanding warrants is expected to increase the number of Suez shares in issue by 25 per cent to 86.6m.

Mr Patrick Ponsolle, a Suez managing director, said SGB would return to a profit of at

least FF1,717bn to FF1,818bn in 1989, after losing FF2,420bn (\$57.8m) last year. He said seven troubled industrial subsidiaries, which had contributed FF1,717bn of operating losses and FF9,70m of exceptional losses last year, would make a combined profit of FF1,818bn in 1989, while exceptional earnings would generate at least FF2,200bn to 3bn this year.

He said the contribution to Suez's results, which had been a net deficit of FF1,792m in 1988, would turn positive in 1989 to the tune of FF1,142bn to FF1,123bn.

Commerzbank expands in insurance

By Andrew Fisher in Frankfurt

COMMERZBANK, the West German commercial bank, plans to extend its activities further into the financial services area by increasing its sales co-operation with DBV + Partner Versicherungen, a nationally represented insurance company.

Commerzbank is to pay around DM150m (\$75.4m) for a 50 per cent stake in a holding company in which DBV's private-sector life, property, and health insurance activities will be grouped.

This deal, announced by Mr Walter Seipp, the chairman, at the bank's annual meeting yesterday, follows its recent purchase of a 40 per cent shareholding in Leonberger Sparkasse, a leading mortgage, savings and loan company.

Mr Seipp said that DBV's parent, which is a public sector insurance concern for civil servants and private customers, would also be privatised by being first converted into a share company, with Commerzbank then placing the

shares in the stock market. Commerzbank's group partial operating profits rose by 3.4 per cent in the first four months compared with the same period of last year, with a near 11 per cent gain for the parent company.

On the more usual comparison with one-third of the previous year, however, they were down by 3.7 per cent and 4.8 per cent respectively.

For the whole of 1989 Mr Seipp expected another "satisfying" result.

Orkem and Enimont hold talks on asset swaps

By Alan Friedman in Milan and George Graham in Paris

ORKEM, the French state-owned chemicals company, is holding talks about a possible asset swap in the polyethylene sector with Enimont, the Italian chemicals concern which resulted from the recent merger of state-owned Enichem and most of private sector Montedison's activities.

Mr Lorenzo Nacci, chairman of Enimont, yesterday confirmed that "we are discussing various possible forms of collaboration, including an exchange of assets."

Mr Nacci said any eventual agreement would necessarily be modelled on the 1988 joint venture between Enichem and British ICI in the polyvinyl chloride (PVC) sector.

Orkem, meanwhile, confirmed that the talks with Enimont focused on the possible

development of its site at Dunkirk, in northern France, built in 1974 in association with the emirate of Qatar, as well as on the possible exchange of some activities.

The Dunkirk plant, besides its main vapour cracker, includes low density radical and linear polyethylene lines.

Orkem, formerly the chemicals subsidiary of France's state coal mines, has been concentrating on its main plant of Carling St Avold in Lorraine, for which a FF1,520m (\$223m) investment plan has been announced. Dunkirk has posed more of a problem, and Orkem has held talks with a number of other chemicals groups.

The Italian group has a capacity of around 1m tonnes a year of polyethylene, twice that of Orkem.

Brierley seeks tenders for 29.2% stake in Molins

By Ray Bashford in London

SIR Ron Brierley, the New Zealand businessman, is attempting to resolve his troubled five-year entanglement in Molins, the UK cigarette machinery maker, which escaped a bid by him in 1987.

IEP Securities, part of a group of companies headed by Sir Ron, yesterday announced that it was seeking tenders to purchase its 29.2 per cent stake in Molins and that if this failed it would launch a takeover bid for the company.

Mr Brierley's vehicle also disclosed that it has increased its holding in Union Discount by 3 per cent to 23.8 per cent. The stake was acquired from the Kuwait Investment Office last Friday at 47p compared with yesterday's closing price of 49p.


Mr Graeme Gilchrist, Union

Discount's managing director, said that the company was "trying to work out what the purchase means." He added that the company has a "strong interest" in remaining independent.

The Molins stake is being put up for tender at a minimum of 190p a share, compared with yesterday's closing price of 200p - down 8p - which values the holding at £17.3m.

If the tender offer, which closes on June 13, fails to attract a buyer IEP is "ready to make an offer for Molins at a realistic price" which will be at least 190p a share.

Mr Michael Wright, Molins managing director, said that an offer of 190p would be strongly resisted because it would not reflect current or future trading prospects.



Republic of Finland

Exchange Offer of

US\$100,000,000 8½% Notes due 1991
 US\$100,000,000 8¾% Notes due 1991
 US\$100,000,000 9½% Notes due 1992
 US\$200,000,000 7½% Notes due 1993
 US\$75,000,000 12¼% Notes due 1994
 US\$100,000,000 7¾% Bonds due 1996
 US\$70,000,000 8¾% Notes due 1996
 US\$200,000,000 7¾% Notes due 1997
 (the "Existing Notes")

for

up to US\$1,057,955,000 9% Notes due 1996 (the "New Notes")
 of the Republic of Finland
 of which US\$250,000,000 principal amount of New Notes
 are being issued as the initial tranche
 and the remainder is to be issued
 in connection with the exchange offer (the "Exchange Offer")


This notice is published to give information with respect to the above-mentioned offer by the Republic of Finland to exchange Existing Notes for New Notes. The terms and conditions of the New Notes and the terms of the Exchange Offer are contained in an offering circular dated 30th May, 1989, and are available at the addresses specified below.

The exchange price at which Existing Notes may be exchanged for New Notes for each business day during the exchange period (initially the period from and including 30th May, 1989 to and including 19th June, 1989) will be available on Reuters Screen Pages MGLX and MGLY.

<p>Arranger J.P. Morgan Securities Ltd. 30 Throgmorton Street London, EC2N 2NT Tel: (01) 606 7875 Attn: Ms. L. Green</p>	<p>Exchange Agent Morgan Guaranty Trust Company of New York 35 Avenue des Arts Brussels, B-1040 Tel: (32-2) 519-1362 Attn: Mr. F. J. Ambrozy</p>
<p>Morgan Guaranty Trust Company of New York Euro-clear Operations Centre Rue de la Régence 4 B-1000, Brussels Tel: (32-2) 519-1211 Attn: Ms. M. Detroz</p>	<p>Centrale de Livraison de Valeurs Mobilières S.A. (CEDEL) 67 Boulevard Grande-Duchesse Charlotte L-1331, Luxembourg Tel: (35-2) 44992-256 Attn: Mr. R. Raisson</p>

This notice does not constitute an offer of securities of the Republic of Finland. These securities are not registered under the Securities Act of 1933 and may not be offered, sold or delivered in, or to nationals or residents of the United States except as more fully described in the Offering Circular.

31st May, 1989



BANCA NAZIONALE DEL LAVORO

INCORPORATED AS AN ISTITUTO DI CREDITO DI DIRITTO PUBBLICO IN THE REPUBLIC OF ITALY
 HEAD OFFICE IN ROME
 VIA VITTORIO VENETO, 119
 ORDINARY RESERVE I.T.L. 382.650.000.000 - CAPITAL I.T.L. 1.327.194.170.000
 FULLY PAID

DIVIDEND PAYMENT FOR THE FINANCIAL YEAR 1988

In accordance with the resolutions made at Shareholders' Meeting of Banca Nazionale del Lavoro on 29.4.1989, the dividend relative to the financial year 1988 will be paid as from 17.5.1989.

The payment of a gross dividend of I.T.L. 1.000 on savings shares will be made against presentation of coupon no. 6 at all the branches of Banca Nazionale del Lavoro, as well as with Monte Titoli for the centralized certificates. The payment on bearer savings shares will be made also at the following banks:

BANCO DI NAPOLI; BANCO DI SICILIA, BANCO DI SARDEGNA, ISTITUTO BANCARIO SAN PAOLO DI TORINO, MONTE DEI PASCHI DI SIENA, BANCA COMMERCIALE ITALIANA, CREDITO ITALIANO, BANCO DI ROMA, BANCA POPOLARE DI NOVARA, BANCA POPOLARE DI MILANO, BANCA POPOLARE D'IBERGAMO, CASSA DI RISPARMIO DELLE PROVINCE LOMBARDE, CASSA DI RISPARMIO DI TORINO, CASSA DI RISPARMIO DI ROMA, BANCA NAZIONALE DELL'AGRICOLTURA, NUOVO BANCO AMBROSIANO, BANCA CATTOLICA DEL VENETO, BANCO DI SANTO SPIRITO.

The dividend on the ordinary shares can only be cashed at the branches of Banca Nazionale del Lavoro.

THE CHAIRMAN
 Nerio Nesi

Wells Fargo & Company

U.S. \$200,000,000

Floating Rate Subordinated Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 31st May, 1989 to 30th June, 1989 the Notes will carry an interest rate of 9¾% per annum. Interest payable on the relevant interest payment date 30th June, 1989 will amount to US\$82.29 per US\$10,000 Note and US\$411.45 per US\$50,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York London

Wells Fargo & Company

U.S. \$150,000,000

Floating Rate Subordinated Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 31st May, 1989 to 30th June, 1989 the Notes will carry an interest rate of 9.85% per annum. Interest payable on the relevant interest payment date 30th June, 1989 will amount to US\$82.08 per US\$10,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York London


DFC Overseas Investments Limited

(Incorporated with limited liability in New Zealand)

Cayman Islands Branch


U.S. \$100,000,000
 Guaranteed Undated Primary Capital Floating Rate Notes

Guaranteed by
 Development Finance Corporation of New Zealand
 (a statutory corporation wholly owned by New Zealand)



Notice is hereby given that the Rate of Interest has been fixed at 9.8375% and that the Interest Payment Date November 30, 1989 against Coupon No. 7 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$95.16 and in respect of U.S.\$250,000 nominal of the Notes will be U.S.\$12,628.91.

May 31, 1989
 By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**



U.S. \$100,000,000

Floating Rate Participation Certificates Due 1992
 issued by Morgan Guaranty GmbH for the purpose of making a loan to

Istituto per lo Sviluppo Economico dell'Italia Meridionale
 (a statutory body of the Republic of Italy incorporated under Law No. 298 of April 11, 1953)

In accordance with the terms and conditions of the Certificates, the rate of interest for the Interest Determination Period 31st May, 1989 to 30th June, 1989 has been fixed at 9¾%. Interest accrued for the above period and payable on 31st July, 1989 will amount to US\$81.25 per US\$10,000 Certificate.

Agent
 Morgan Guaranty Trust Company of New York
 London Branch

INTERNATIONAL COMPANIES AND FINANCE

Pan Am fixes NWA loan

By Frederick Oram in New York

PAN AM Corp, parent of struggling Pan American World Airways, has lined up a five-bank consortium led by Bankers Trust to provide a bridge loan for its bid for NWA, parent of Northwest Airlines.

Pan Am said it would submit its bid by the 4.00pm deadline yesterday afternoon, but would not disclose details. Wall Street was expecting a number of other bidders to join the auction initiated by the \$90 a share bid from Mr Marvin Davis, a Los Angeles investor. NWA's stock rose a further

\$1 1/4 to \$107 1/2 yesterday morning as analysts predicted the company would receive take-over offers worth up to \$120 a share, or \$3.7bn in total.

It is believed some 15 prospective investors signed confidentiality agreements before looking over NWA's books but only a few of them will make a proposal.

NWA's unions are opposed to a takeover by Mr Davis and others with no airline experience. They also oppose relying on heavy debt financing. None the less labour and management appear to favour Mr Al

Chechi, a former senior executive of Marriott, the hotel group, who has no track record as an independent deal maker.

Mr Steven Rothmeier, NWA's chairman, said recently Mr Chechi represented "friendly money."

Mr Chechi was expected to make an offer by yesterday's deadline.

Another player rumored to have been preparing a bid was Kohlberg Kravis Roberts, the leading leveraged buy-out specialist which recently took RJR Nabisco, the food and tobacco group, private in a \$25bn deal.

El Al earns \$18.8m despite drop in tourists

By Hugh Carnegie in Jerusalem

EL AL, Israel's state-owned airline which has been in receivership since 1982, achieved US\$18.8m in profits for 1988 despite a sharp fall in passenger numbers as tourists put off by the Palestinian uprising in the occupied West Bank and Gaza Strip turned away from Israel.

The 9 per cent drop in passenger traffic to 1.5m originally led El Al to forecast losses of over \$10m after a \$18.2m profit in the last nine months of 1987, before accounting shifted to the calendar year.

But it said measures such as subcontracting smaller aircraft for larger ones helped keep the airline in the black. Sales were \$665.5m, up from \$520.6m in the last three quarters of 1987.

Encouraged by the results, the third consecutive profit by El Al, the Ministry of Transport has appointed a committee to plan the lifting of receivership and subsequent privatisation. The ministry's initial intention is to float up to 49 per cent of the company within two years on foreign markets and the Tel Aviv Stock Exchange.

IBM extends mainframe capability

By Frederick Oram in New York

INTERNATIONAL Business Machines has announced three products designed to extend the supercomputing capabilities of its ES/3090 family of mainframe computers.

The products are the first of a continuing programme of new products that IBM will offer as supercomputing systems extensions (SCSE) to customers such as scientists and engineers who need high speed and processing power for numerically demanding jobs.

"Many of our customers are doing leading-edge scientific and engineering applications and we're going to provide them with leading-edge, state-

of-the-art solutions under the new SCSE banner," said Mr Carl Conti, IBM senior vice president and general manager, Enterprise Systems.

Some 300 IBM customers use ES/3090 mainframes in a supercomputing mode instead of buying custom-built supercomputers from companies such as Cray Research, the industry leader.

Dr David Wehrly, IBM's supercomputing systems development executive, said that the company's present and future supercomputing products "will be complementary and lead towards" the top-of-the-line machine being developed by Dr

Steven Chen, founder of Supercomputer Systems Inc and a former Cray Research scientist. IBM is a minority investor in Dr Chen's company, which aims to market machines by the early 1990s.

The three products announced yesterday markedly improve performance. The first, Clustered Fortran, is a package of hardware and software advances which will allow users to speed up jobs by dividing them between a maximum of 13 processors running in parallel.

IBM has offered a more limited form of parallel processing, one key to high perfor-

mance, since October 1987. The new product will achieve a maximum 10-fold increase in performance over the most powerful ES/3090 uniprocessor system.

The second product, a High Speed Channel, can transfer bulk data at up to 900m bits a second. IBM said that such data transfer speed would allow users to do complex computer-simulated experiments in high resolution 3-D.

The third product, Input/Output Access Method, would allow users to read and write files in parallel across arrays of direct access data storage devices.

Buy-out at Pennwalt water unit

By Charles Batchelor

PENNWALT Corporation, a Philadelphia-based chemicals group, has sold its Wallace & Tiernan water treatment division to its management teams in Britain, the US and Germany in a deal valued at \$75m.

Wallace & Tiernan has annual sales of more than \$100m and employs more than 1,800 people worldwide. Overall the division has been profitable though it has suffered losses in the US.

As an independent company, Wallace & Tiernan Group will retain its headquarters in Belleville, New Jersey. It has seven operating companies

which make precision pressure gauges and equipment for flow treatment and water and waste water treatment.

The buy-out comprises \$15m of equity provided by four venture capital groups and \$60m of loans and loan facilities from Standard Chartered Bank. A 10-strong team of senior managers, headed by Mr Chet Boss, formerly general manager and now president and chief executive officer, will hold between 20 and 25 per cent of the equity if certain performance targets are met.

The four venture capital companies are ECI Ventures in

Britain, Alltop Venture Partners of Lenexa, Kansas, Harvest Ventures of New York and Deutsche Beteiligungsgesellschaft, a Deutsche Bank subsidiary, of Stuttgart, Germany.

Management teams in Germany and the US had tried to organise independent buy-outs but when they realised what was happening they agreed to stage a joint deal with the UK management. Pennwalt had been fighting a hostile tender offer from Centaur Partners, a US investment group, but in March it agreed a \$1bn bid from Elf Aquitaine, the French state-controlled oil group.

Quantum in propane venture

By Karen Zagor in New York

QUANTUM CHEMICAL, the big US chemical group, has joined forces with First Boston in an equally-owned partnership (QFB) to buy Panhandle Eastern's propane gas unit, Petrolane Partners, for \$1.18bn.

Under the terms of the agreement, QFB will acquire all of Panhandle's 44 per cent stake in Petrolane for \$450m in cash. The remaining 13.15m of publicly-held shares will be purchased for \$30 each. The partnership will also refinance Petrolane's \$335m of existing debt.

Quantum and First Boston will both contribute about \$100m to the venture. The remaining \$1bn will come from a First Boston loan to the partnership. First Boston will have the right to sell its interest in QFB after five years, with Quantum having the right of first refusal.

Mr Richard Tilghman, a vice president of Quantum, described the investment as a prudent financial move. The New York-based company has about \$2.5bn in debt after a \$1.2bn financial restructuring in December.

tributes about 900m gallons of the gas a year. Petrolane, with annual distribution of about 1bn gallons, is the biggest US propane distributor. Combined, the two companies account for about 15 per cent of national distribution. Petrolane will be managed by Quantum's Suburban division.

Quantum would not have been able to purchase Petrolane on its own. The New York-based company has about \$2.5bn in debt after a \$1.2bn financial restructuring in December.

Bank of Nova Scotia advances

THE BANK of Nova Scotia, Canada's fourth largest chartered bank, reported a 20 per cent gain in earnings for the first half of fiscal 1989, due mainly to a 60 per cent cut in loan loss provisions, writes Robert Gibbons in Montreal.

Profits for the six months to April 30 were C\$306.2m (US\$254.3m) or C\$1.58 per share, up from C\$255m or C\$1.44 a year earlier. Second quarter profit was C\$155.1m against C\$129.6m.

The bank estimates loan losses of C\$159m for the whole year.

UCB signs deal to buy packaging business

By Tim Dickson in Brussels

UCB, THE Belgian chemicals, pharmaceuticals and films business, has announced plans to buy the flexible packaging activities of Pabetelec, a company hitherto controlled by Société Générale de Belgique and the West German concern Feldmühle.

The deal, which ends months of uncertainty over the future of Pabetelec and will involve the buyer in an initial outlay of BF4.7bn (\$1.14bn), was hailed by analysts yesterday as a good move for UCB.

UCB has already agreed to take over the 64.5 per cent stake of the two majority shareholders in Pabetelec (and

10 per cent of the existing warrants) and is offering BF4000 per share for the shares and BF1,500 for the warrants which it does not already own.

Feldmühle, whose main activities are centred on the paper sector, will purchase from Pabetelec its shareholdings in subsidiaries involved in the manufacture and distribution of paper, while SGB will buy CIG-Intersys Graphic.

UCB then intends to transfer to Pabetelec its own activities in the manufacture and conversion of films in Belgium.

This restructuring, UCB says, could adversely affect its results in the short term.

DM Bond Rates A Tightrope Act

Although the Bundesbank has demonstrated its independence by raising the key rates without prior warning, this has done little to change the environment for interest rates.

External developments continue to hold sway over the German bond market; merely the intended abolition of the withholding tax could temporarily lessen their influence. The internal factors determining interest rates have faded into the background.

Though providing the Bundesbank with important cues, they usually carry less weight in an assessment of the overall situation than the news coming from overseas. To mention just three of the favorable domestic factors which have so far failed to attract the attention they deserve:

1. The fall in the government's borrowing requirements to a multi-year low.
2. German companies' strong liquidity position, which will cause their borrowing needs to drop below the average for the next few years.
3. The Bundesbank's current policy of providing interest-rate signals via discount, Lombard and repurchase rates, without giving rates a major upward push.

But the bond market is mesmerized by the ups and downs of the US dollar and US interest rates in response to alternating "good" and "bad" news. The US economy presents a highly mixed picture at present.

The Bundesbank, therefore, has only limited influence on long-term rates. The changes in the general climate, which often come too abruptly and are accompanied by an inflow or outflow of foreign exchange, keep interfering with its endeavors to stabilize interest rates and the D-mark as far as possible. This means keeping the dollar from jumping above DM 1.90, so as to contain in-

flation, and, at the same time, keeping it above DM 1.80; so as to prevent an undesirable inflow of foreign exchange.

At any rate, central-bank policy on both sides of the Atlantic is remarkably independent of the vagaries of market sentiment. While the mood in the German and US bond markets tends to change with almost every twitch of US economic indicators, both the Bundesbank and the Fed have been pursuing consistent interest-rate policies for more than a year.

Bayerische Landesbank Bulletin
MONEY AND CAPITAL MARKETS REPORT - MAY 1989

DM Bond Rates A Tightrope Act

Domestic Non-Banks Replace Foreigners as No. 1 Investor Group

Year	Banks (DM billion)	Non-Banks (DM billion)	Foreigners (DM billion)
1982	45	10	15
1983	40	15	15
1984	35	20	15
1985	30	35	15
1986	25	45	15
1987	20	55	15
1988	15	65	15

Foreign investors, whose net purchases of D-mark bonds had equalled those of banks and non-banks together in 1985 and 1987 and who had been the No. 1 investor group in 1986, practically withdrew from the market last year. Domestic non-banks accounted for the lion's share of net sales, but their buying interest centred on foreign currency bonds and foreign Deutsche Mark bonds. Banks bought the bulk of bonds floated by domestic borrowers.

Fewer conflicting signals

The Bundesbank is compelled to perform a tightrope act in its monetary policy. On the one hand, it has to take account of external factors and, on the other hand, it feels the need, after the excessively fast growth of the money supply in the past few years, to put a harder squeeze on liquidity than would be necessary to restore the balance between monetary expansion and the potential increase in nominal GNP.

It may give the Bundesbank some comfort to know that the monetary environment is likely to improve steadily in the next few months. Slower money growth in the US can be expected to reduce the disparities in economic performance. The cooling in the economy will diminish the probability of a further rise in the discount rate. This will also mean fewer conflicting signals from across the Atlantic, which have repeatedly caused confusion and uncertainty regarding interest rates.

U.S. \$50,000,000

Genossenschaftliche Zentralbank Aktiengesellschaft
Vienna

Floating Rate Subordinated Notes Due 1996

Interest Rate: 9 13/16% per annum

Interest Period: 31st May 1989 to 30th November 1989

Interest Amount per U.S. \$50,000 Note due 30th November 1989: U.S. \$249.40

Credit Suisse First Boston Limited
Agent Bank

U.S. \$250,000,000

Régie des installations olympiques

Floating Rate Notes Due November 1994

Unconditionally guaranteed by Province de Québec

Interest Rate: 9 3/4% per annum

Interest Period: 31st May 1989 to 31st August 1989

Interest Amount per U.S. \$50,000 Note due 31st August 1989: U.S. \$1,245.83

Credit Suisse First Boston Limited
Agent Bank

U.S. \$300,000,000

Woodside Financial Services Ltd.
(Incorporated in the State of Victoria)

Guaranteed Floating Rate Notes due February 1997

Unconditionally Guaranteed by The Industrial Bank of Japan, Ltd.

In accordance with the Terms and Conditions of the Notes, notice is hereby given, that for the Interest Period from May 31, 1989 to August 31, 1989 the Notes will carry an Interest Rate of 9 3/4% per annum. The amount payable on August 31, 1989 will be U.S. \$6,229.17 and U.S. \$249.17 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

May 31, 1989

Bayerische Landesbank

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Representative Offices: Tokyo, Tel: 287-0135; Toronto, Tel: 862-8840; Vienna, Tel: 5353141; Johannesburg, Tel: 638 7168.

INTERNATIONAL COMPANIES AND FINANCE

Construction groups post record profits

By Ian Rodger in Tokyo

MANY OF Japan's civil engineering groups posted record profits for the year to March, thanks to strong domestic demand, especially from the private sectors. Two have raised their dividends.

Obayashi showed pre-tax profit up 32.8 per cent to ¥32.8bn (\$232.5m) on sales of ¥944.7bn, up 15.2 per cent.

Order intake rose 21.9 per cent to ¥1,302.6bn, and it expects pre-tax profit in the current year to rise by about a further 34 per cent. Obayashi is raising its annual dividend by ¥1 to ¥7 per share in the current year.

Pre-tax profits of Taisei jumped 42.3 per cent to a record ¥42.4bn on sales of ¥1,273.3bn, up 23.9 per cent. Sales in the civil engineering and building divisions increased by more than 20 per cent.

Growth at home offset a drop of 0.9 per cent in its gross profit ratio, which was caused

Surge in demand lifts JAL and ANA

By Ian Rodger

JAPAN AIR Lines and All Nippon Airways, Japan's largest airlines, have reported large profit increases in the year to March as a result of booming demand on both domestic and international routes.

JAL's pre-tax profits jumped 34.7 per cent to ¥43.6bn (\$308.3m) on record sales of ¥935.7bn, 10 per cent above those of the previous year. At ANA, pre-tax profits increased 13 per cent to ¥18.6bn on sales of ¥677.6bn, up 9.5 per cent. JAL's net income was ¥17.3bn, up 3.5 per cent, while that of ANA was ¥7.4bn, up 23.2 per cent.

JAL has the edge in revenue and profit terms. However, ANA, which is mainly a domestic carrier, carries many more passengers.

Last year, ANA carried 25.7m passengers on its domestic routes and 894,177 on its international routes, while

Japan's city banks suffer squeeze

By Stefan Wagstyl in Tokyo

THE 13 Japanese "city" or commercial banks suffered a 3.1 per cent decline in pre-tax profits and before gains from sales of securities last year, mainly because of a squeeze on operating margins.

Margins fell because of increases in various expenses including continued investment in computerisation and funding and labour costs. These effects were compounded by two other factors - sluggish conditions in the Japanese government bond market, which hit dealing profits, and a need to increase provisions for Third World debt.

Against this, demand for long-term loans rose, especially from medium-sized businesses, which usually pay higher rates of interest than large groups. But the increase in volume was not enough to compensate all the banks for the decline in margins.

The parent company results for the year to March highlight how the banks are being forced to become more competitive by financial deregulation, including the liberalisation of interest rates. Mr Stuart Matthews, banking analyst at BZW, the securities affiliate of Barclays Bank, said: "The figures were disappointing. The current year's earnings depend on the banks' ability to expand operating margins, which will be difficult."

There were sharp differences in performance between banks, which emphasises the fact that some banks are coping better with the challenge of deregulation than others.

For instance, Sumitomo Bank extended its lead as the most profitable bank by boosting profits before tax and securities transaction by 64.6 per cent to ¥265bn, while the figure for second-placed Fuji

	Total income	Pre-tax profit	Net profit
DAI	3,341 (+36.5%)	154.1 (-11.1%)	178.8 (+34.9%)
Sumitomo	3,244 (+32.8%)	268.0 (+54.8%)	198.3 (+78.3%)
Fuji	2,709 (+27.8%)	172.5 (-13.9%)	171.9 (+34.3%)
Mitsubishi	2,224 (+22.8%)	158.1 (+1.5%)	157.4 (+38.3%)
Saiwa	2,588 (+21.8%)	170.4 (-5.4%)	155.5 (+35.8%)
Tokai	1,786 (+18.3%)	97.3 (-17.3%)	60.2 (+20.1%)
Mitsui	1,666 (+20.5%)	96.3 (-38.2%)	79.4 (+30.3%)
Taiyo Kobe	1,206 (+0.7%)	82.2 (-7.5%)	53.5 (+29.8%)
Daiba	832 (+17.2%)	68.3 (-12.1%)	39.1 (+11.3%)
Kyowa	817 (+0.8%)	51.3 (-12.0%)	35.1 (+7.0%)
Saitama	795 (+4.8%)	45.5 (+10.4%)	29.0 (+20.7%)
Hokkaido T.	651 (+28.4%)	62.5 (+3.9%)	59.2 (+18.0%)
San Tokai	1,444 (+20.4%)	80.5 (+5.9%)	59.2 (+18.0%)

Bank was down by 13.9 per cent to ¥172bn.

Accounting rule changes introduced this year mean that these figures disclose differences in performance more clearly than in previous years, when banks were not obliged to distinguish securities dealings' profits so comprehensively.

After securities profits are included, the variations in performance are less stark, indicating how securities transactions are used to smooth out results: whereas eight out of 13 banks showed declines in profit before securities sales, only Tokai Bank did after such transactions.

After securities sales, Sumitomo's profits remained the largest. The bank has recovered from the difficulties it suffered when absorbing Heiwa Sogo Bank, a troubled mutual bank it took over in 1986.

In international operations - one of the fast-growing businesses for Japanese banks - Bank of Tokyo, the specialist foreign exchange bank, was comfortably ahead of the rest, with revenues of ¥153bn. However, other banks are catching up fast. Bank of Tokyo's revenues from international operations declined 4.7 per cent, while Sumitomo's increased 29.8 per cent to ¥158bn. Third-placed Fuji's revenues grew by just 1.3 per cent to ¥92.5bn, but fourth-placed Mitsubishi Bank placed revenues by 36.5 per cent to ¥91.8bn. The average increase was 12 per cent.

Japan's two top long-term credit banks have announced

large increases in annual net profits, due mainly to improvements in lending margins.

The gains were achieved by expanding business with medium-sized companies, as well as lowering funding costs by replacing interest-bearing bonds with those with lower coupon rates.

Industrial Bank of Japan posted a 25.2 per cent increase in net profits to ¥38.5bn in the year to the end of March. Pre-tax profits were 13.5 per cent higher at ¥195bn. Revenues were 16.2 per cent up at ¥144.3bn.

Long-Term Credit Bank reported a 89.9 per cent rise in net profits to ¥70.7bn. Revenues rose by 5.1 per cent to ¥1,520bn, and pre-tax profits were 8.2 per cent higher at ¥114.3bn.

The country's six biggest trust banks have reported sharp decreases in operating profits due to a rise in the cost of raising funds coupled to a decline in income from property broking.

The results highlighted the impact of financial deregulation, since the main reason behind the increase in fund-raising costs was a large growth in deposits made at market-linked rates.


The decline in income from property was largely caused by a slowdown in development work, reflecting a levelling-off and decline in property prices in Tokyo following a steep rise the previous year.

The banks' difficulties were compounded by a decline in income from bond dealing, where profits for the six banks fell by half to ¥24.6bn.

Trust fees, the mainstay of trust bank business, continued to increase, albeit by a modest 2.1 per cent, to a combined total of ¥88.2bn.

	Operating profit	Pre-tax profit	Net profit
Mitsubishi	137.8 (-12.8%)	171.6 (+4.8%)	77.5 (+16.7%)
Sumitomo	126.0 (-23.0%)	157.5 (+18.5%)	60.5 (+18.6%)
Mitsui	102.1 (-22.7%)	136.0 (+24.5%)	52.4 (+23.4%)
Yasuda	77.1 (-11.6%)	130.3 (+24.5%)	52.4 (+23.4%)
Toyo	78.3 (-20.6%)	92.7 (+2.7%)	41.0 (+6.9%)
Chuo	29.1 (-28.9%)	32.1 (-7.2%)	13.9 (+10.4%)
Nippon	4.0 (-44.6%)	9.9 (4.4%)	4.9 (+0.3%)

U.S. \$125,000,000



BANK OF BOSTON CORPORATION
Floating Rate Subordinated Notes Due 1998
Issued 26th August 1986

Interest Rate 9.80% per annum
Interest Period 31st May 1989
31st August 1989

Interest Amount per U.S. \$50,000 Note due 31st August 1989 U.S. \$1,252.22

Credit Suisse First Boston Limited
Agent Bank

U.S. \$50,000,000

First Boston, Inc.
Floating Rate Subordinated Notes Due 1994

Interest Rate 9 1/16% per annum
Interest Period 31st May 1989
30th November 1989

Interest Amount per U.S. \$50,000 Note due 30th November 1989 U.S. \$2,494.01

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000

First Bank System, Inc.
Floating Rate Subordinated Capital Notes Due 1997

Interest Rate 9 7/8% per annum
Interest Period 31st May 1989
31st August 1989

Interest Amount per U.S. \$50,000 Note due 31st August 1989 U.S. \$1,261.81

Credit Suisse First Boston Limited
Agent Bank

U.S. \$50,000,000

ÖSTERREICHISCHE LÄNDERBANK AKTIENGESELLSCHAFT
Floating Rate Subordinated Notes Due 1994

Interest Rate 9 1/16% per annum
Interest Period 31st May 1989
30th November 1989

Interest Amount per U.S. \$5,000 Note due 30th November 1989 U.S. \$252.58

Credit Suisse First Boston Limited
Agent Bank

U.S. \$60,000,000

Caixa Geral de Depósitos
(A state credit institution established under the laws of the Republic of Portugal)
Floating Rate Deposit Notes 1994

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 31st May, 1989 to 30th November, 1989 has been fixed at 9 1/4% per cent per annum and that the coupon amount payable on 30th November, 1989 will be U.S. \$305.16 per Note of U.S. \$10,000 and U.S. \$3,051.56 per Note of U.S. \$100,000.

The Sumitomo Bank, Limited
Agent Bank

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF HOLDERS OF BONDS. IF HOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR ANY OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

ERICSSON
Telefonaktiebolaget LM Ericsson
(Incorporated with Limited Liability in Sweden)
Notice to the holders of the outstanding US\$60,000,000 6 1/2% per cent, Convertible Subordinated Bonds due 2002 denominated in US Dollars ("the Bonds") convertible into B ordinary Shares of the Company ("B Shares")

CONVERSION RIGHT EXPIRES: 30th June, 1989
REDEMPTION DATE: 30th June, 1989

NOTICE OF REDEMPTION
NOTICE IS HEREBY GIVEN to the holders of the outstanding Bonds that, in accordance with the Conditions endorsed on the Bonds ("the Conditions") and pursuant to the provisions of the Trust Deed dated 28th June, 1987, ("the Trust Deed") between the Company of the one part and The Law Debenture Trust Corporation p.l.c. ("the Trustee") of the other part constituting the Bonds, the Company will on 30th June, 1989 redeem all of the Bonds then outstanding at 105.6 per cent of the principal amount, together with the interest accruing from and including 15th February, 1989 down to but excluding 30th June, 1989 amounting to US\$128.91 per Bond (that is to say an aggregate of US\$6,408.91 for each US\$5,000 principal amount of Bonds).

This Notice is given in accordance with Conditions 4(a), 5(c) and 14 of the Bonds.

RIGHTS OF CONVERSION
Holders of Bonds are reminded that they may exercise their right to convert the principal amount of their Bond(s) into B Shares not later than 30th June, 1989.

Bonds may be converted into B Shares at the Conversion Price of Skr326 per B Share which using the fixed exchange rate specified in the Conditions of Skr6.374 = US\$1 results in a conversion rate of 97.7607 B Shares for each US\$5,000 principal amount of Bonds.

As provided in the Conditions, any holder of Bonds who wishes to exercise his right to convert must obtain a Conversion Notice from the specified office of any Conversion Agent (set out on the reverse of the Bonds and at the foot of this Notice), complete and sign the same in accordance with the Instructions thereon and deliver it with his Bond(s), together with all unrematured Coupons, at the specified office of any Conversion Agent at any time up to the close of business on 30th June, 1989. The Conversion Agent will require payment of an amount equal to the face value of any such Coupon not so delivered. A Bondholder delivering a Bond for conversion must pay all stamp, issue, registration or other similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the converting Bondholder.

On 25th May, 1989 the Average Market Price (as defined in the Conditions) of the B Shares on the Stockholm Stock Exchange was Skr 509.50 per B Share (which converted into US Dollars at the rate of exchange prevailing on that day, being US\$6.72, is equivalent to US\$75.62). At such price, the holder of a Bond of US\$5,000 principal amount would receive upon conversion B Shares and cash for the fractional entitlement having an aggregate value of US\$7,412.06. Such value is, however, subject to variation with the market value of the B Shares and the US\$ exchange rate. SO LONG AS THE MARKET VALUE OF B SHARES IS SKR 371.80 OR MORE AND ASSUMING NO CHANGE IN THE US DOLLAR EXCHANGE RATE, HOLDERS OF BONDS WILL UPON CONVERSION RECEIVE B SHARES AND IF APPLICABLE CASH IN LIEU OF ANY FRACTIONAL ENTITLEMENT HAVING AN AGGREGATE A GREATER MARKET VALUE THAN THE CASH WHICH THEY WOULD RECEIVE ON REDEMPTION OF THEIR BONDS. FAILURE TO DELIVER BONDS FOR CONVERSION ON OR BEFORE 30th JUNE 1989 WILL AUTOMATICALLY RESULT IN REDEMPTION AT A PRICE (INCLUDING ACCRUED INTEREST) OF US\$5,408.91 FOR EACH US\$5,000 PRINCIPAL AMOUNT OF BONDS.

IMPORTANT
Value of the B Shares (including fractional entitlements) into which each US\$5,000 principal amount of Bonds is convertible, based on the Average Market Price of the B Shares on the Stockholm Stock Exchange on 25th May, 1989 (converted into US Dollars on the basis referred to above) of US\$75.62 per B Share... US\$7,412.06
Redemption price (together with accrued interest) for each US\$5,000 principal amount of Bonds... US\$5,408.91

If any holder of Bonds wishes to accept redemption at the redemption price (together with accrued interest) he should surrender his Bond(s) together with all unrematured Coupons at the specified office of any Paying Agent (set out on the reverse of the Bonds and at the foot of this Notice) on or before 30th June, 1989. Within periods of 5 and 10 years respectively, the Coupons and the Bonds become void.

The attention of holders of the Bonds is drawn to the Conditions and in particular to Conditions 4 and 5 which contain further details regarding redemption and conversion. Copies of the Trust Deed are available for inspection at the registered office of the Trustee at Estates House, Agents specified below. The aggregate principal amount of the Bonds outstanding as at 25th May, 1989, the latest available date prior to the publication of this notice was US\$48,215,000.

PRINCIPAL PAYING AGENT AND CONVERSION AGENT
Citibank, N.A.,
Citibank House,
336 Strand,
London WC2R 1HB.

PRINCIPAL CONVERSION AGENT
Svenska Handelsbanken,
Kungsträdgårdsgatan 2,
S-103 28 Stockholm.

PAYING AGENTS AND CONVERSION AGENTS
Citibank, N.A.,
Avenue de Tervuren 249,
B-1150 Brussels.
Citibank, N.A.,
111 Wall Street,
New York, N.Y. 10045.
Citibank Investment Bank (Switzerland),
Bärfeldstrasse 63,
P.O. Box 244,
CH-8021 Zurich.
Citibank Investment Bank (Luxembourg) S.A.,
16 Avenue Marie-Thérèse,
P.O. Box 1375 Luxembourg,
Luxembourg.
(For payments of principal and premium only)

TELEFONAKTIEBOLAGET LM ERICSSON
31st May, 1989. By: Citibank, N.A.,
London, Principal Paying Agent and Conversion Agent
(CSSI Dept.)

CITIBANK

Bank of Tokyo (Curacao) Holding N.V.
U.S. \$100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997

Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by **The Bank of Tokyo, Ltd.** (Kabushiki Kaisha Tokyo Gmka).

In accordance with the provisions of the Agent Bank Agreement between Bank of Tokyo (Curacao) Holding N.V., The Bank of Tokyo Ltd., and Citibank, N.A., dated November 27, 1985 notice is hereby given that the Rate of Interest has been fixed at 9.55% p.a. and that the interest payable on the relevant Interest Payment Date, August 31, 1989 against Coupon No. 13 will be US\$254.28.

May 31, 1989, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank. **CITIBANK**

KLEINWORT BENSON LONSDALE plc
US \$100 million Primary Capital Undated Floating Rate Notes
US \$125 million Primary Capital Undated Floating Rate Notes (Series Two)

For the interest period 31st May 1989 to 30th November 1989, all the above Notes will carry a Rate of Interest of 10 1/4% per cent. per annum with a Coupon Amount of US\$511.51.

CHEMICAL BANK
Agent Bank

FIRST BANK SYSTEM, INC.
US\$200,000,000
Subordinated Floating Rate Notes Due 2016

Notice is hereby given that for the interest period from 31st May, 1989 to 31st August 1989 the Notes will carry an interest rate of 9 1/4% per cent per annum and that the interest payable on the relevant Interest Payment Date, 31st August, 1989 will amount to US\$22.56 per US\$100,000 Note and US\$6,768.03 per US\$250,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

TSB Hill Samuel Bank
Floating Rate Notes
US\$75,000,000
Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 31st May, 1989 to 30th November, 1989 the Notes will carry an interest rate of 9 1/4% per cent per annum and that the interest payable on the relevant Interest Payment Date, 30th November, 1989 will amount to US\$60.16 per US\$50,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

CITICORP
U.S. \$500,000,000
Subordinated Floating Rate Notes Due May 29, 1996

Notice is hereby given that the Rate of Interest has been fixed at 9.875% and that the interest payable on the relevant Interest Payment Date August 31, 1989 against Coupon No. 13 in respect of US\$10,000 nominal of the Notes will be US\$22.26 and in respect of US\$250,000 nominal of the Notes will be US\$5,309.08.

May 31, 1989, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank. **CITIBANK**

Lloyds Bank Plc
(Incorporated in England with limited liability)
Primary Capital Undated Floating Rate Notes (Series 2)

For the three months, May 31, 1989 to August 31, 1989 the Notes will carry an interest rate of 9 1/4% p.a. with a Coupon Amount of U.S. \$253.96 payable on August 31, 1989.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

N.Z.I. FINANCIAL SERVICES (UK)
U.S. \$125,000,000
Floating Rate Notes Due 1994

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 31st May, 1989 to 30th November, 1989 the Notes will carry a Rate of Interest of 9 1/4% per annum and that the interest payable on the relevant Interest Payment Date, 30th November, 1989 will amount to US\$50.16 per US\$100,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

CITICORP
U.S. \$500,000,000
Subordinated Floating Rate Notes Due October 25, 2005

Notice is hereby given that the Rate of Interest has been fixed at 9.85% and that the interest payable on the relevant Interest Payment Date June 30, 1989 against Coupon No. 44 in respect of US\$10,000 nominal of the Notes will be US\$82.08.

May 31, 1989, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank. **CITIBANK**

NOTICE OF RATE OF INTEREST BANK OF ALGERIE D'ALGERE
US\$500,000,000
Floating Rate Notes due 2000

In accordance with the provisions of the Agency Agreement between Bank of Algeria and Citibank, N.A., dated as of May 22, 1985 notice is hereby given that the interest has been fixed at 9.575% p.a. and that the Coupon amount payable on November 30, 1989 against Coupon No. 8 will be US\$305.15 for each Note of US\$10,000 and US\$9,051.56 for each Note of US\$100,000.

By: Citibank, N.A. (CSSI Dept.)
May 31, 1989 London Agent Bank

CHEMICAL NEW YORK CORP
US \$200,000,000 Floating Rate Senior Notes Due 1999

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 31st May, 1989 to 30th November, 1989 the Notes will carry an interest rate of 9 1/2% per cent per annum.

The interest payable on the relevant Interest Payment Date, 30 June, 1989 against coupon No. 25 will be US\$91.77 per US\$100,000 Note.

AGENT BANK
CHEMICAL BANK

The Chase Manhattan Corporation
U.S. \$175,000,000
Floating Rate Subordinated Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 10% and that the interest payable on the relevant Interest Payment Date August 31, 1989 against Coupon No. 15 in respect of US\$10,000 nominal of the Notes will be US\$255.56.

May 31, 1989, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank. **CITIBANK**

CITY FEDERAL SAVINGS BANK
U.S. \$75,000,000
Collateralized Floating Rate Notes due 1999

Interest rate 9.80% p.a. Interest Period May 31, 1989 to August 31, 1989. Interest Payable per U.S. \$25,000 Note U.S. \$925.11

May 31, 1989 London
By: Citibank, N.A. (CSSI Dept.) Agent Bank

INTERNATIONAL CAPITAL MARKETS

\$ strength boosts fixed-rate issues

By Andrew Freeman

INVESTORS began to chase dollar-denominated securities yesterday, with the result that three fixed-rate Eurobond issues met good receptions.

INTERNATIONAL BONDS

stock market meant that a crop of Japanese equity warrant deals traded around their par-issue prices.

investors in previous Finland dollar deals to switch into the new bonds. A tap facility will allow yesterday's issue to be increased to a maximum of \$1.058bn, depending on how many investors take up the offer.

However, there was some comment that unusual buying of existing Finland issues in recent months had added to the illiquidity of those deals.

and this feature was the key to strong institutional demand, with money managers to the fore.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount in \$, Coupon %, Price, Maturity, Fees, Book runner. Includes entries for US DOLLARS, SWISS FRANCES, D-MARKS, and GULDERS.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Large table listing various international bonds with columns for Issuer, Amount, Coupon, Price, Maturity, Yield, and other details. Includes sections for US DOLLAR, YEN STRAIGHTS, OTHER STRAIGHTS, and FLATBOND RATE.

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.



U.S. \$110,000,000

Interfinco S.A.

(Incorporated with limited liability in Luxembourg)

7% Guaranteed Bonds Due 1994

with Guaranteed Warrants to purchase Common Shares of

CIR S.P.A. - Compagnie Industriale Riunite

(Incorporated with limited liability in the Republic of Italy)

Unconditionally and irrevocably guaranteed by

COFIDE - Compagnia Finanziaria De Benedetti S.p.A.

(Incorporated with limited liability in the Republic of Italy)

- List of financial institutions: Salomon Brothers International Limited, Banque Indosuez, Amsterdam-Rotterdam Bank N.V., Banque Paribas Capital Markets Limited, Cazenove & Co., Compagnie Monégasque de Banque, Credit Suisse First Boston Limited, Dresdner Bank Aktiengesellschaft, IMI Capital Markets (UK) Ltd, Kleinwort Benson Limited, Morgan Stanley International, Nomura International, Shearson Lehman Hutton International, Swiss Bank Corporation Investment Banking, UBS Phillips & Drew Securities Limited, S.G. Warburg Securities.

There was some resistance to the size of the issue from investors, mainly to Swiss banks, said they would wait for final terms to be fixed before deciding whether they would participate in the public tranche which was trading around less 3 bid.

Merloni, which produces white goods under the Ariston and Indesit brand names, said yesterday it would use the proceeds of the bond issue to reduce its debt of L105bn and to make a final payment on its 1987 takeover of Indesit.

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BP CAPITAL B.V. advertisement including logo, company name, incorporation details, bond amount (\$40,000,000), interest rate (17 3/8 per cent), maturity (due 1990), and list of guarantors including Bayerische Vereinsbank, Dresdner Bank, and others.

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UK COMPANY NEWS

Bid for Ketson thwarted after refinancing support

By Andrew Hill

KETSON shareholders have backed the marketing and public relations group's refinancing proposals, thwarting the hostile consortium bid for the company.

Yesterday's EGM also voted to oust Mr Jeremy Bond, Ketson's deputy chairman and its largest shareholder with a 12.14 per cent stake.

The issues were debated fiercely for about two hours, despite Ketson's claims before the meeting that it had already received favourable proxy votes representing 51 per cent of the shares.

The eventual poll showed 68.8 per cent of votes had been cast in favour of the resolution to get rid of Mr Bond who supported the consortium bid. Three other resolutions, including the proposal to raise 25m through a three-for-one share offer, were carried by a similar majority on a show of hands.

Ketson aims to right a deficit of shareholders' funds, caused principally by trading losses at its financial marketing and PR subsidiary, Moorgate, acquired last year. Mr Bond is Moorgate's founder, former chair-



Walter Dickson, Ketson's chairman: ability questioned

man and chief executive.

Mr Edward Owen, who owns 2,500 Ketson shares, told fellow investors that the restructuring amounted to an admission that the group had "bought a lemon".

"That's a brave gesture, but how do we know that the same inability will not result in us buying another lemon?" he asked.

cial, a private merchant banking and investment group, Broad Street Group, the advertising, marketing and PR consultancy, and Summer International, the training and education company, must now let their break-up bid for Ketson lapse.

The consortium joined small shareholders at yesterday's meeting in questioning the management ability of Mr Walter Dickson, Ketson's chairman.

But other investors, including Ketson non-executive director Mr John Beckwith, chairman of property developer London & Edinburgh Trust, leapt to Mr Dickson's defence.

Mr Michael Preston, Broad Street's group development director, said his company was still interested in buying Moorgate, which would have been sold to the PR group had the bid succeeded. But he said the Ketson board would have to initiate any further discussions.

Ketson shares fell 1 1/2p to 12p yesterday, 2p above the price of buying another lemon? he asked.

City and Westminster Finan-

Second half boost helps William Cook to treble profits

By John Ridding

WILLIAM COOK, one of Britain's largest steel foundry groups, yesterday announced pre-tax profits of £5.05m for the year to the beginning of April, well ahead of market expectations and almost three times greater than the comparable figure. Shares rose 30p to 287p.

Mr Andrew Cook, chairman, said the result reflected a "superb second half performance" and the benefits of its acquisitions. In particular, the foundry business of Robert Hyde which was purchased in January made a contribution of £400,000 to profits.

Overall sales increased by 36 per cent to £58.9m and earnings per share rose from 13.77p to 36.34p. There is a final dividend of 6p (3.75p) giving a total for the year of 9p (5p).

According to Mr Cook, three of the company's four main operating subsidiaries performed excellently achieving returns on sales of around 10 per cent at the operating level. £2.25m. In addition, the disposal of the magnet side of the Neepsend Foundry which was acquired in March brought around £300,000.

Mr Cook expressed strong criticism of the company's European competitors. He said that most were heavily subsidised by their respective governments and were guilty of dumping in the UK market.

operating in the UK and therefore had longer term strategic attractions.

He said that while he did not expect HI-Tec to make a significant improvement in the current year, a big contribution could be expected in the next decade.

More serious problems were encountered at Atlas, the fabrication company which William Cook inherited through its acquisition of Weir in 1988. The subsidiary made losses of around £200,000 during the year and its disposal in January represents an extraordinary item of £93,000.

Mr Cook expressed considerable optimism about the current year. He said that demand remained firm and that there would be significant cost savings resulting from the closure of Hyde's Stoke works.

Cash flow has been boosted by the sale of an unwanted Hyde factory building for £2.25m. In addition, the disposal of the magnet side of the Neepsend Foundry which was acquired in March brought around £300,000.

BOARD MEETINGS

TODAY		FUTURE DATES	
Interline	Global, Oneloch, Stratgen, TSB	June 8	June 8
Channel Islands, United Siderite		June 13	June 13
Interline	Channel Tunnel, Dunhill, Enwick	June 2	June 2
Parsons Int'l, Sieco		June 5	June 5
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UK COMPANY NEWS

Sedgwick says no Transamerica bid

By Patrick Cockburn

SEDGWICK GROUP, the world's second largest insurance broker, yesterday said that Transamerica, its 29 per cent shareholder, had confirmed that it was neither planning to bid for Sedgwick nor to sell out its shareholding when a standstill agreement expires on August 30.

Sedgwick said that it had asked Transamerica directors to stay on its board instead of resigning under the terms of the original agreement as a sign that Transamerica would not change its relationship with Sedgwick.

Mr David Rowland, chief executive, said that the aim of the move now was to reduce expectations of dramatic

change and to defuse "the time bomb" ticking at the end of August. He added that in any case Transamerica could not deal in Sedgwick shares until after February 28 under the provisions of the old agreement.

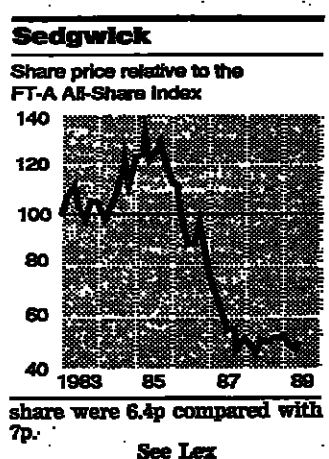
He said: "Transamerica want to stay with the present situation" and to give a sign now of their future intentions. This was important for Sedgwick because the existence of a 29 per cent shareholder, although with voting rights restricted to 29.9 per cent, inevitably made it easier for control of the company to change.

Mr Rowland stressed, however, that the chance of "Transamerica bidding for Sedgwick

is not a very likely one." Results for the three months of 1989 still show the impact of the recession in the industry with pre-tax profits down to £40.9m compared with £43.9m over the same period last year. Revenues, at constant exchange rates, fell by 2 per cent to £171.4m.

Difficult insurance market conditions were underlined by a small fall in turnover from £159.1m to £157.5m over the same period. Interest and investment income rose from £11.5m to £13.9m. Expenses increased by 0.7 per cent to £130.6m based on constant exchange rates.

Earnings fell by 3.7 per cent to £27.3m and earnings per



EHP shares fall 33p on profit warning

By Clay Harris

HIGHER INTEREST rates and continuing trading difficulties in Italy and Spain prompted European Home Products, the UK-based retail and distribution group, to warn yesterday that profits would fall in the first half of 1989.

EHP is the European distributor of Singer sewing machines and Sobell footwear products as well as a leading consumer durables retailer in southern Europe. The warning sent its shares sharply lower, they lost 33p to close at 169p.

Mr Doug Aah, chairman and chief executive, said EHP had decided to make its statement after receiving April trading figures from Italy and Spain. These dashed hopes of a second-quarter recovery to offset the depressed conditions in the first three months which EHP had noted earlier.

As a result, trading profits for the first half were likely to be 20 to 25 per cent below the £14.5m reported at the interim stage last year.

Moreover, higher interest rates meant it likely that the bill for the first half would rise to £4.5m from the comparable 1988 figure of £2.5m. To reduce the full-year effect, EHP was aiming to reduce borrowings by reducing stocks and bringing forward planned property disposals.

Barclays de Zotte Wold, EHP's broker, said it had reduced its pre-tax forecast for the full year, excluding profits from property disposals, from £23.5m to £15m. The comparable figure for 1988 was £20.4m. Morgan Stanley has cut its forecast on the same basis from £22.5m to £15m.

The worst problems for EHP appear to be in Italy, where it sells household electrical products through 10 Excel stores. The situation was slightly more encouraging in Spain, where it owns the Ivarte chain and operates the electrical departments in Galerias Preciosas stores.

Portugal, meanwhile, was performing up to budget despite a Government credit-restriction package. The Scholl business and operations in northern Europe have not been affected by the slowdown, although the former will suffer this year from the withdrawal of an advertising subsidy from its former US parent which was worth £1.5m pre-tax to EHP in 1988.

Bid approach for Lyon & Lyon

Shares in Lyon & Lyon soared 37p to 330p yesterday after the Yorkshire motor dealer said it had received an approach about a possible bid. The announcement came only two weeks after Lyon said it had rejected a possible takeover approach.

At yesterday's price, a record close for the shares, Bentley-based Lyon is valued at £16.6m. In 1988, it reported pre-tax profits of £227,000 on turnover of £20.5m.

Sea Containers prepares to battle for SNCF's ferries

By George Graham and Rachel Johnson

SEA CONTAINERS, which last week received an unsolicited Anglo-Swedish bid, is gearing up for a head-on battle with other ferry operators over the future of five ferries owned by Societe Nationale des Chemins de Fer (SNCF), France's national railway company.

The SNCF ferries operate under the Sealink name in partnership with British Ferries, a subsidiary of Bermuda-based Sea Containers.

Last Friday, Tiphook, the UK container rental company, and Stena, the Swedish shipping group, launched an £804m (£252m) cash bid for Sea Containers. Stena would take on the ferry operation and Tiphook the Bermuda group's container business.

The future of the SNCF ferries is being studied by the French sea ministry. But already the bidders are lining up in anticipation that the rail company will sell its cross-Channel business. SNCF will be one of the major users of the Channel Tunnel when it opens in 1993, and has already settled on the principle that it cannot combine this position with that of a ferry operator.

French-owned Brittany Ferries, a competitor - through its Dover-Calais or Newhaven-Dunfermline routes - has accused SNCF of preparing the direct sale of its ferry operation to British Ferries, its operating partner. SNCF and Sealink have 50 per cent each of

the Dover-Calais route, for example. British Ferries says it has been interested by the SNCF operation since the Tunnel became a certainty in early 1986. Whether the sale will be thrown out to tender is "not clear."

It is expected to buy 51 per cent of the ferries from SNCF on the eve of the Tunnel's opening to traffic in 1993 - but says SNCF will retain control.

Mr Christian Michielini, managing director of Brittany Ferries, is determined to stop SNCF from selling without at least giving him a chance to bid.

"It is not the fact that they should sell to a foreigner, but that they should sell without offering it to others," he said yesterday.

Mr Michielini said his company was becoming more and more convinced that ferries would still be competitive on the Straits of Dover route once the Channel Tunnel opened and wanted to look at the price of the SNCF business. He is also separately evaluating the five SNCF vessels.

SNCF, meanwhile, described Mr Michielini's remarks as "idiotic" since the report commissioned by the sea ministry from Mr Paul Leonard, chairman of France's merchant marine council, had not yet been delivered. SNCF said it would make no comment on the future of its ferries until Mr Leonard's conclusions were

known. Mr Leonard was due to deliver his conclusions by May 12, but a spokesman for the sea minister said that the report had not yet been received.

In April Sealink ruled out a deal with Stena, which owns about 8.2 per cent of Sea Containers, to run a joint ferry operation on Channel routes. This would have considerably strengthened its position before the opening of the Tunnel by maximising its market share.

Sea Containers said yesterday that it would probably not make a statement on the unsolicited £804m (£252m) bid for the company until next week, writes Andrew Hill.

Mr James Sherwood, the group's chairman, has returned to the UK, but was unavailable for comment. He must respond to Friday's offer from Tiphook and Stena within 10 business days.

Court proceedings will begin in Bermuda tomorrow in all cases to disallow Sea Containers' "poison pill" provision - allowing shareholders to subscribe for new preference shares in the event of a bid - and prevent the group buying more of its own shares as an additional bid defence.

New York arbitrators, who started taking positions in Sea Containers stock when Stena revealed an 8.2 per cent stake in March, are apparently expecting an improvement in the offer of \$50 a share.

BTS £1.3m open offer launched

BTS Group, the USM-quoted remoulded tyres and batteries company, launched a £1.3m open offer to help finance its previously announced £2.5m acquisition of Micro Marketing, a mail order supplier of computer equipment.

The one-for-four offer to shareholders is priced at 86p. The APA venture capital group, which owns 52.4 per cent of BTS shares, will take up at least half of its entitlement.

Aberdeen Petroleum cuts losses

NET LOSSES at Aberdeen Petroleum, the acquisitive USM-quoted oil and gas exploration and production company, fell from £1.5m to £382,000 in the year to end-December 1988.

Turnover improved 14 per cent from £1.9m to £2.2m. Administration and other expenses increased to £225,000 (£750,000), while the cost of sales fell to £1.7m from £3.5m last time.

After a nil tax charge (£250,000 credit) losses

per share fell to 0.8p (4.7p).

The company said that turnover for 1988 was affected by the fall in oil prices. Administration expenses had been inflated by staff and office rationalisation costs of £180,000.

Current oil and gas prices, coupled with a more favourable exchange rate, were helping to maintain a considerably increased turnover, while administration expenses had been reduced by about 30 per

cent.

At the year end the group's cash balances and available line of credit totalled some £2.7m while proven reserves totalled 800,000 barrels of oil and 7.5bn cu ft of gas compared with 450,000 barrels and 1.5bn cu ft respectively at end 1987.

Since the year end the group's gas reserves have increased by a further 40 per cent with the purchase of an interest in the Deep Madden Unit in Wyoming.

COMPANY NEWS IN BRIEF

BRITISH SHOE Corporation, a subsidiary of Sears, intends to seek stockholders approval for the redemption in cash at par, plus accrued interest, of all the outstanding £200,000 nominal 5 per cent debenture stock of the company.

BURNS-ANDERSON has acquired Office Services Bureau, secretarial employment agency, for £475,000 cash. Pre-tax profit for year to June 30 1988 was £102,000.

CHRISTIAN SALVESEN is to sell the fixed assets of its Californian subsidiary, Christian Salvesen Packing and Marketing, for \$2.5m (£1.5m) to Stum Fruit International (USA).

COOKSON GROUP is acquiring the business of South Coast Refractories of Bulli, near Wollongong, New South Wales, Australia. It is principally engaged in the making and selling of monolithic refractory linings and has been acquired to enable the Plibrico sector of Cookson ceramics and plastics division to expand into the Australasian market. The cash consideration is not significant when compared with Cookson's net assets, directors said.

DAVENPORT Knitwear made pre-tax profit of £1m in 1988 (£1.17m) on turnover of £7m (£6.74m). Earnings 38.06p (43.76p) and dividend again 8.03p.

ESTATES & AGENCY (property investor): Final dividend 3p making 5p for 1988 (3p). Net rental income £2.6m (£1.78m) and profit £722,000 (£263,000) before tax £244,000 (£190,000). ESTATES AND GENERAL Investments has increased its holding at Beckton Retail Park, Beckton, to 40,000 sq ft by purchasing the remaining unit not already in its ownership for £2.7m.

FLOYD ENERGY is paying a maximum \$4.35m, with £3.1m on completion, to buy Whiteley Road, which designs, engineers and fabricates pressure vessels.

Also Floyd will advance \$900,000 to fund dividend payment to vendors.

GREEN PROPERTY has arranged for Davy Corporate Finance to invite shareholders to subscribe for new ordinary shares at £1.6 per share and new loan stock at £1.35 per unit on the basis of one new ordinary and one new loan stock unit for every 5.61 shares held, and to loan stock holders on the basis of one new ordinary share and one new loan stock unit for every 8.41 units held.

HUNTINGDON International has acquired Herzog Associates for \$2m. Herzog is a California-based engineering consulting and testing organisation specialising in the geographical and environmental fields.

ICI has acquired Bayca Chemical Corporation, Mount Holly, North Carolina, USA. Bayca has a strong specialist position in dye fixation, levelling and scoring agents in Britain's KENTISH PROPERTY Group.

Annual meeting told that Kentish had linked with Kleinwort Benson Property Fund to form Kentish Business Centres, a company which would acquire and operate a network of fully serviced business centres and offer low-cost storage and warehousing facilities to consumers and small businesses. The chairman also told the meeting that sales were continuing at strong level.

LEADING LEISURE is to acquire two freehold bingo clubs in Cardiff for £750,000 cash. The group's bingo division will now have eight clubs.

MID KENT WATER: applications from consumers and employees received for 915,500 shares and offer closed; valid applications will be met in full.

MOUNTLEIGH GROUP has bought 3m of its own shares at 159p each through the market for cancellation.

NABISCO: The Trade Secretary has decided not to refer the proposed acquisition by Rank Hovis McDougall of the cereals business of Nabisco Group.

PLUMB HOLDINGS: Raine now speaks for some 98.4 per cent of the shares. The offer has been declared unconditional and the balance is to be acquired compulsorily.

PORTER CHADBURN: Of the recent rights issue 95.2 per cent was taken up with the balance sold in the market.

PRUDENTIAL PROPERTY Services has extended its operation to the Fotheries as part of its drive to establish an estates agency presence in Britain's key housing areas. It has acquired the local firm of Marsden, with branches in Longton, Cheadle, Tunstall and Newcastle-under-Lyme.

SECURICOR GROUP: The simultaneous rights issues by Securicor Group and Security Services closed on May 23. The Security Services issue to raise £51.1m was taken up in respect of 11.22m new ordinary (97.5 per cent). Securicor's issue to raise £24.5m was taken up in respect of 345,698 ordinary (96.6 per cent) and 6.42m 'A' ordinary (97 per cent).

SILVERMINES: The group's property and services division has acquired Marine House, Dublin for IR£5.5m cash. The acquisition will double the company's property rental income to IR£700,000.

SPONG HOLDINGS: In respect of the open offer to shareholders, applications were received for 34.8m of the 13.72m new ordinary made available under terms of the open offer. Under the terms of the offer, 2.25m new ordinary, representing the basic entitlements of shareholders for which applications were not received, were made available to satisfy applications from shareholders for new ordinary in excess of their basic entitlements. Excess applications will be scaled down pro rata to the number of excess shares applied for, with shareholders being allotted approximately 96 new ordinary for every 1,000 applied for.

TIS RANGE: USM dealings in this vehicle rental company are expected to start on May 31.

WA HOLDINGS: Bid by Haden, MacLellan has received acceptance in respect of 24,782,527 WA ordinary (64.9 per cent). The offer has been extended and will remain open until June 7.

GM Firth severely cuts stake in Porter Chadburn

By David Waller

GM FIRTH (Holdings), the diversified steel stock-holding, investment and furniture group, has reduced its stake in Porter Chadburn, a distribution and consumer products company, to virtually nothing.

At one point Firth owned 64 per cent of Porter, but the size of the holding fell gradually over the last two years until it stood at 8.9 per cent at the

beginning of this month. All but 200,000 of these shares have now been sold.

Since April 12, Firth has disposed of a total of 7,826m shares for a total of £7.94m, compared to a net book value of £1.94m. The disposals all but clear Firth's overdrafts, which stood at £8.4m at the end of March.

The latest batch of shares has been sold to institutions.

INTERNATIONAL CONFERENCES & EXHIBITIONS

The Financial Times proposes to publish this survey

17 JULY 1989

For a full editorial synopsis and advertisement details, please contact:

JEREMY BAULF
on 01-873 3000

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

This announcement appears as a matter of record only

GREYCOAT PLC

£20,000,000 facility

for the redevelopment

of

Regent Arcade House
252-260 Regent Street, W1

Arranged and funded by

Canadian Imperial Bank of Commerce

April 1989

This announcement appears as a matter of record only

SHERATON SECURITIES INTERNATIONAL PLC

£22,750,000 Limited recourse loan facility

to finance the purchase and redevelopment

of

161/167 Oxford Street, W1

Underwritten and provided by

Canadian Imperial Bank of Commerce
The Industrial Bank of Japan, Limited

Arranged by

Canadian Imperial Bank of Commerce

April 1989

IRELAND

The Financial Times proposes to publish a Survey on the above on

JULY 11th 1989

For a full editorial synopsis and advertisement details, please contact:

GILLIAN KING
on 01-873 4823
or write to her at:

Number One, Southwark Bridge London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

SOCIETE GENERALE
USD 500,000.00
Undated Subordinated Floating Rate Notes

For the six months, May 31, 1989 to November 29, 1989, the rate of interest has been fixed at 8.8575% p.a.

The interest due on November 29, 1989 against coupon no 6 will be USD 462.58 per USD 10,000 nominal amount of notes and USD 4,625.85 per USD 100,000 nominal amount of notes and has been computed on the actual number of days elapsed (129) divided by 360.

SOCIETE GENERALE
ALCANTARA DE BANQUE
16, Avenue Emile Reuter
LUXEMBOURG

STANDARD BANK (EUROPE AND EXPORT FINANCE COMPANY) LIMITED
USD 75,000,000 FLOATING RATE NOTES DUE 1991

For the six months, May 31, 1989, to November 29, 1989, the rate of interest has been fixed at 9 1/8% p.a.

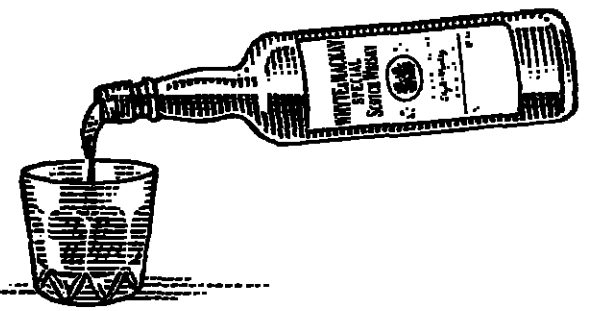
The interest due on November 29, 1989 against coupon no 10 will be USD 506.16 and has been computed on the actual number of days elapsed (129) divided by 360.

SOCIETE GENERALE
ALCANTARA DE BANQUE
16, Avenue Emile Reuter
LUXEMBOURG

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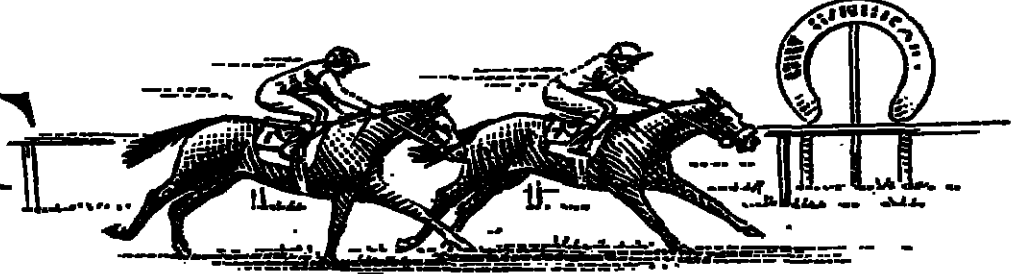


MEASURE FOR MEASURE



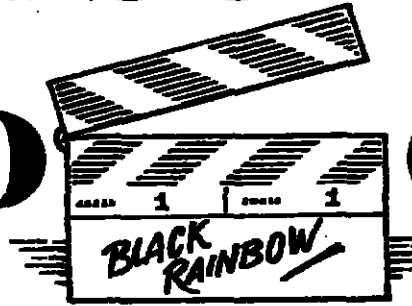
BRENT WALKER'S RELENTLESS

DRIVE IN PURSUIT



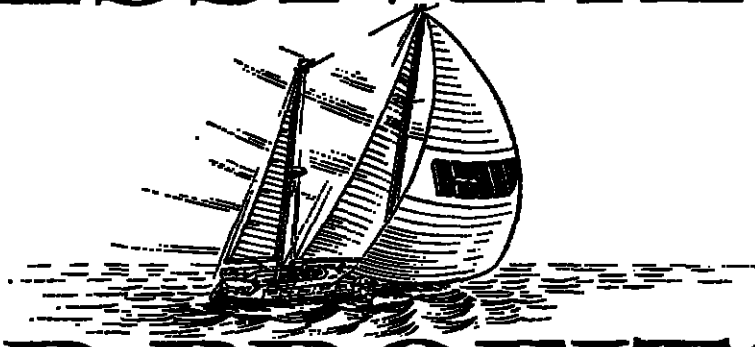
OF LEISURE IN 1988 WAS

ACTION PACKED GROWTH



WAS IMPRESSIVE AND WE

SAILED THROUGH



TO GREATER PROFITS.

FINANCIAL HIGHLIGHTS 1988 (unaudited)

	1988 £M	1987 £M	%CHANGE
Turnover	128.9	70.9	+82%
Profit before tax	41.7	20.8	+100%
Earnings per ordinary share <small>(fully diluted)</small>	41.05p	27.50p	+49%
Dividend per ordinary share	11p	8p	+37.5%
Shareholders funds	603.6	227.4	+165%

Yet another record year was achieved by the Group in 1988 with turnover increasing by 82 per cent to £128.9 million and profit before tax by 100 per cent to £41.7 million. Earnings per share on a fully diluted basis have increased by 49 per cent to 41.05 pence per share and shareholders' funds to £603.6 million and are represented by an asset base of excellent quality. Assets per share on a pro-forma and fully diluted basis are now seven pounds. The Directors are recommending a final dividend of 7 pence per share bringing the total for the year to 11 pence per share, an increase of 37.5 per cent on last year.

A major policy decision was made to pursue a strategy of diversification within the leisure and leisure-related sectors to improve the quality of the Group's earnings and broaden its trading and asset base. In pursuit of this policy, we acquired two long established brewery businesses, J. W. Cameron and Co. Limited and Tollemache & Cobbold Breweries Limited. Taking into account the 386 public houses we acquired earlier in the year, and various disposals, we now have a total of 1,087 public houses. We also acquired Whyte & Mackay Distillers Limited. Additionally, as part of our diversification we acquired a chain of 119 licensed betting offices in London and the South East.

As a further development of this strategy we have recently made a number of disposals. Included in these was the sale of our five casinos in the north of England and of Crockfords in London, 100 tenanted public houses in London and 52 managed public houses in Yorkshire, Teeside, Suffolk and Cambridgeshire.

We have also made several smaller disposals which, combined with those already mentioned, have reduced our gearing substantially as well as showing a significant surplus over book values. This programme of rationalisation will continue through 1989 and we expect to make further strategic disposals which we anticipate will further reduce our gearing significantly.

During the year we acquired Elstree Film Studios. With our interests in the film industry combined with our property development expertise, we were able to submit plans, which contain greatly improved studio facilities, together with a certain amount of commercial development. The acquisition of Elstree Studios and our 10 per cent interest in TV-am has enabled us to build Goldcrest into a fully integrated Media Group.

In Le Touquet we entered into a joint venture with Declan Kelly Group plc to develop the residential land to provide approximately 1,100 homes.

It is our intention to maintain our strategy of constant improvement of the base of our core activities and their profitability. We shall, accordingly, continue to take advantage of every opportunity that presents itself to rationalise the structure of the Group, improve liquidity and in so doing, produce a stronger net asset base.

Full details of the Group's activities are recorded in our Annual Report & Accounts which will be available from:

The Company Secretary, The Brent Walker Group PLC, Knightsbridge House, 197 Knightsbridge, London SW7 1RB.

THE BRENT WALKER GROUP PLC
WORKING FOR PLEASURE

This advertisement is issued in accordance with the regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). Application has been made to the Council of The Stock Exchange for all the Ordinary shares of 5p each in T&S Stores PLC issued, and to be issued pursuant to the proposed rights issue, to be admitted to the Official List. It is expected, subject to the passing of Ordinary Resolution No. 1 at the Extraordinary General Meeting of the Company to be held on 5th June 1989, that admission to the Official List will become effective and that dealings, fully paid in the existing Ordinary shares, 'ex-Rights' of 5p each currently in issue will commence, and nil paid in the new Ordinary shares of 5p each to be issued will commence, on 6th June 1989.



(Incorporated in England and Wales under the Companies Act 1948 to 1980, Registered No. 1228935)

T&S Stores PLC is principally involved in the sale of tobacco, confectionery, greetings cards, newspapers and allied goods.

**PROPOSED ACQUISITIONS OF
ALFRED PREEDY AND SONS LTD
and
THE BUSINESS ASSETS AND LIABILITIES OF
DILLONS NEWSAGENTS LTD**

RIGHTS ISSUE

of up to 45,720,000 Ordinary shares of 5p each at 115p per share

SHARE CAPITAL

Following the proposed Acquisitions and Rights Issue

Authorised £4,250,000	Ordinary shares of 5p each	Issued and fully paid £3,186,000
--------------------------	----------------------------	-------------------------------------

Listing Particulars relating to the Company will be available in the statistical services of Exel Financial Limited from 31st May 1989. Copies of the Listing Particulars may be obtained during usual business hours excluding Saturdays and Bank Holidays up to and including 5th June 1989 by collection only from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 21st June 1989 from:

T&S Stores PLC
Apex House
Brownhills
Walsall, West Midlands
WS8 7HU

Barclays de Zoete Wedd Limited
Phoenix House
1-3 Newhall Street
Birmingham B3 3NH

de Zoete & Bevan Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS

31st May 1989

Associated British Foods

"Profit before tax has increased by 13 per cent. to £237.1 million whilst earnings have grown by 18 per cent. to 35.9p per share during the year"

We consider these results to be satisfactory allowing for the fact that the results cover a 52 week year, compared with that of 53 weeks for the preceding period.

Once again, a heavy capital investment programme has been maintained at home and overseas and during the year a record £132 million has been spent on new assets to improve our

position in the competitive markets in which we operate. Investment income grew during the year by 12.2 per cent due to higher than average interest rates during the year. This income yield still reflects the high level of equity investments held by the group and which earn income at below money market rates.

G. H. Weston
Chairman

SUMMARY OF RESULTS

	1989 £ millions	1988 £ millions
Turnover	2,496	2,272
Trading surplus	152	134
Investment income	92	82
Profit before tax	237	210
Profit attributable to the company	160	137
Ordinary Shareholders' funds	1,701	1,531
Earnings per share	35.9p	30.5p
Dividend per share	9.3p	8.3p

Associated British Foods plc
Weston Centre, 68 Knightsbridge, London SW1X 7LR

UK COMPANY NEWS

Mike Luckwell lifts WPP stake to 5.04%

By Nikki Tait

MR MIKE LUCKWELL, former managing director of Carlton Communications, yesterday revealed that he has raised his stake in WPP, the advertising agency and marketing services company which is currently making a recommended \$864m bid for the New York-based Ogilvy Group, to 5.04 per cent. Mr Luckwell first acquired shares - around 3 per cent of the equity - in WPP in February 1988. This was after WPP's first major US acquisition, the JWT Group which it bought in summer 1987, and in the wake of the October stockmarket collapse when the advertising company's shares were hit severely.

Since he left Carlton, Mr Luckwell has also emerged as a shareholder in TV-am, where

he acquired a 5 per cent interest from Beaverbrook Investments. He is currently chairman of Parallel Media Group, which specialises in sports sponsorship, linked to TV production and distribution.

Mr Luckwell said yesterday that he could see "WPP's potential to broaden its base not only into television, but in the media field generally, building on the power base of JWT and the Ogilvy Group."

However, he said that he did not intend to raise his stake further at the present time. The stake has been bought through Walbrook International Trust Company, of which Mr Luckwell is the beneficiary.

WPP shares were 23p higher at 673p yesterday.

SHARE STAKES

Changes in company share stakes announced recently include:

Ambrose Investment Trust: Exmoor Dual Investment Trust sold 100,000 income shares, reducing holding to 400,000 (5.56 per cent).

Ashley Group: under the open offer J White, director, took up 99,879 ordinary; CS Tipper, director, took up 1,730 ordinary and 1,500 convertible preference.

Bullers: Gamblestad and associate increased stake to 1.17m shares (7.4 per cent).

Burns Anderson Group: Family Assurance Society has acquired 150,000 shares and is now interested in 2.58m (9.01 per cent).

GT Dollar Fund: GT management and discretionary clients hold 17.26 per cent.

GT Venture Investment: Royal Insurance raised stake by 82,775 to 957,775 shares (7.09 per cent).

Hidong Estate: Fleishare and connected parties are now interested in 163,336 shares (3.8 per cent) after buying 100,000.

North of Scotland Investment:

Ensign Trust sold its entire holding of 5.45m shares (25.4 per cent). Aberdeen Trust beneficially acquired 1.45m (6.76 per cent); Edinburgh Trust bought 400,000 bringing interest to 5.29m (24.64 per cent); WH Smith pension funds acquired 600,000 lifting stake to 2.2m (10.25 per cent).

NSM: NBK (London) nominees disposed of 500,000 shares and holding now 37,488 (21.73 per cent).

REA Holdings: WH Salomon, director, sold 23,500 shares at 73.5p; beneficial holding now nil and non-beneficial interest 4m (10.26 per cent); JA Townsend, director, sold same number at same price; beneficial interest 0.08 per cent and non-beneficial 10.26 per cent.

Takara Singer and Friedlander: owns 2.6m ordinary (21.28 per cent) and a further 1.673 per cent through discretionary management.

Tribune Investment Trust: NatWest Investment Bank and associates and/or certain pension funds and trusts interested in 3.97m shares (7.75 per cent).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres pending dividend	Total for year	Total last year
Aonax & Hutch	3.5	July 24	3.5	-	9
Cook (William)	6.25	-	3.75	9	6
Crown Commercial	1.5	-	nil	-	3
Devenport Knit	8.08	Oct 2	8.08	8.08	8.08
Fenmet Group	0.2	-	0.2	0.2	0.2
Hoyle & Nelson	3.5	July 27	2.5	5.8	4
Scott Mercantile	2.7	-	3.2	4.1	4.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. **Nil capital increased by rights and/or acquisition issues. \$USM stock. \$SUnquoted stock. #Third market.

HEREFORD & WORCESTER

The Financial Times proposes to publish this survey on:

14th July, 1989

For a full editorial synopsis and advertisement details, please contact:

Anthony G. Hayes
on 021-454 0922

or write to him at:

George House
George Road
Edgbaston
Birmingham B15 1PG



This advertisement is published in accordance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or to purchase any securities in Barclays Bank PLC (the "Bank").

BARCLAYS

BARCLAYS BANK PLC

(Incorporated with limited liability in England. Registration No. 1026167)

Issue of up to 12,650,000

Non-cumulative Dollar-denominated

Preference Shares, Series A, of U.S. \$0.01 each

Application has been made to the Council of The Stock Exchange for the above Preference Shares of the Bank to be admitted to the Official List.

Listing Particulars relating to the Bank and the above Preference Shares are available in the statistical services of Exel Financial Limited and copies may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 2nd June, 1989, for collection only, from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD, and up to and including 14th June, 1989 from Barclays Bank PLC, 34 Lombard Street, London EC3P 3AH.

BROKERS

Cazenove & Co. de Zoete & Bevan Limited
Sternon Lehman Hutton Inc.
Goldman, Sachs & Co. Merrill Lynch Capital Markets

31st May, 1989

Receivers called in at Mirra Holdings

By Jean Marshall

MIRRA HOLDINGS, a company providing income-producing services to local health authorities, has gone into receivership. Mr Nick Lyle and Mr Roger Powdrill of Spicer and Oppenheim, City accountants, are the joint administrators.

Last Wednesday Trevian Holdings, the property developer which has a 45 per cent interest in Mirra, announced it was making a £1m provision against the cost of its involvement.

Mirra's problems appear to stem from delays in obtaining firm decisions from hospital managers and local health authorities. Its basic product was an advertising-led pre-recorded video programme for viewing in hospital waiting rooms. It was also interested in opportunities to develop car parks, leisure centres and shopping areas within hospital grounds. This latter aspect of developing the large land banks possessed by many hospitals, seems to have attracted Trevian.

Mirra was founded in 1982 by Mr Robert Alsworth. Trevian acquired its stake in late 1987 from Brent Walker, which retained a 10 per cent interest.

Scottish & Merc

Scottish and Mercantile Investment is paying final dividend of 2.7p to make 4.1p for year ended March 31 1989 (4.6p). Earnings 4.11p (4.68p). Fixed assets investment income £1.48m (£2.04m). Net asset value at March 31 was 134.65p (112.82p).

Epwin acquisition

Epwin Group is to acquire a UPVC window manufacturing facility at East Moors, Cardiff, from West 'N' Welsh (Holdings) for £220,000. The consideration is to be satisfied by the issue of 378,563 new Epwin ordinary. These are being placed by Cazenove at 137p per share.

Goodhead pays up to £7.3m for Canadian papers

GOODHEAD GROUP, the contract printing and free newspaper group, announced yesterday that it had agreed to pay up to £818.8m (£7.32m) in cash for several Canadian publications.

The main titles, Oxford Shopping News, Lake Shore Shopper, and Sarnia-Lambton Shopper, will be purchased through an initial payment of £87.75m. A further £82.75m will be paid on the acquisition's first anniversary, followed by up to £83.3m depending on future profitability.

Goodhead said it had been considering for some time investing in a North American publishing business. It said the Ontario-based weekly publications, which are devoted entirely to advertising, and are therefore cheaper to produce, represented an attractive opportunity, as well as a sound base for expansion in North America.

The board added that it considered North American free newspaper titles easier acquisition targets, due to the fact that the titles are not concentrated in the hands of major publishers, as they are in Britain.

For the year ended March 31, the Canadian free shoppers reported combined unaudited pre-tax profits exceeding £1.6m. Goodhead reported interim pre-tax profits up 86 per cent to a record £2.7m (£1.4m) for the six months to November 30 1988.

Goodhead also announced that Mr E.J. Winnington-Ingram had been appointed to its board as a non-executive director. Mr Winnington-Ingram was previously Managing Director of Mail Newspapers and has just retired as a director of Associated Newspapers Holdings.

First Tech expands in US

By David Waller

First Technology, the automotive, fire, security and safety systems group, is consolidating its position in the market for manufacturing car crash dummies with the \$1.9m (£1.2m) acquisition of the Connecticut-based Alderson Laboratories.

Alderson designs and manufactures dummies used for testing vehicles in crashes. The latest deal follows on from the purchase of Humanetics last year, another company in the same area, and means that First Technology now makes a whole family of such dummies.

These range from a three year old child to a fully-grown American adult male. Up to four of them, laden with sophisticated sensors, are put in prototype cars and then fired at walls at a variety of speeds.

Alderson made a pre-tax profit of \$126,000 in the fifteen months to the end of March and its net assets at that date were \$684,000. The consideration will be satisfied by \$1.9m in cash on completion and a further \$700,000 due on June 30 1990.

Ransomes to restructure

By Ray Bashford

RANSOMES Sims & Jeffries, the grass cutting machinery manufacturer, is restructuring following its progressive withdrawal from the farm machinery business. As part of the plan, the company is proposing to change its name to Ransomes. The company intends to create

four divisions: UK and European manufacturing and distribution of professional grass machinery; US manufacturing and distribution of professional grass machinery; UK and European manufacturing and distribution of consumer products; and property development activities.

Jarden Morgan Europe

SOCIÉTÉ ANONYME

68-70 boulevard de La Pétrusse, 2320 Luxembourg

The Directors of Jarden Morgan Europe have announced a Net Group Operating Profit after tax of US\$11.67 million for the year ended 31st March 1989.

A final dividend of 11 cents per share has been recommended by the Directors and, if approved by shareholders at the Annual General Meeting to be held in Luxembourg at 11 am on Monday, 24th July 1989, will be paid to shareholders on 31st July 1989.

The principal activities of the group are corporate advisory services, investment banking, stockbroking, fund-management, and international trust and corporate management.

Financial Highlights

	1989 (US\$)	1988 (US\$)
Dividends Declared Per Share	0.16	0.10
Net Earnings Per Share	0.47	0.31
Net Asset Backing Per Share	2.51	2.27
Net Earnings (millions)	11.7	7.7
Shareholders' Funds (millions)	62.7	56.6
Total Assets (millions)	122.8	115.2

LISTED IN LUXEMBOURG AND NEW ZEALAND

For further information and copies of the Report and Accounts, please contact:
Bob Cowper, Jarden Morgan Europe
7 Avenue D'Otende MC 98000 Monaco Tel: (93) 50 19 60 Fax: (93) 50 19 65

Notice of Redemption and Termination of Conversion Rights

KOMATSU LTD.

7 1/4% Convertible Debentures due June 30, 1990

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of July 1, 1975, as supplemented by a First Supplemental Indenture dated as of September 1, 1982 (effective as of October 1, 1982) between Komatsu Ltd. (the "Company") and First National City Bank (now Citibank, N.A. as "Trustee") under which the above-designated Debentures were issued, all of the outstanding Debentures have been called for redemption on June 30, 1989, at a price equal to 100% of the principal amount thereof.

The Debentures will become due and payable and, UPON PRESENTATION AND SURRENDER THEREOF (those Coupon Debentures to have all coupons pertaining thereto maturing after June 30, 1989) will be paid on said redemption date at Citibank, N.A., 111 Wall Street, Corporate Trust Services, 5th Floor, New York, New York, NY 10043, principal offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt/Main, London, Milan, Paris and Citibank (Luxembourg) S.A., and the principal offices of J. Henry Schroder Wagg & Co. Ltd. (London), Fuji Bank, Limited (London), The Bank of Tokyo, Ltd. (London) and The Sumitomo Bank, Limited (London), as the Company's Paying Agents. From and after said redemption date, interest on said Debentures will cease to accrue.

Interest payable June 30, 1989 to holders of fully Registered Debentures shall be paid to the persons in whose names the Debentures are registered at the close of business on the Regular Record Date which shall be June 15, 1989 and said interest shall be mailed to the registered holders. If the holder does not elect to convert, coupons maturing June 30, 1989 should be detached and presented for payment in the usual manner.

The Debentures called for redemption may be converted at the option of the holders thereof into Common Stock of the Company, American Depositary Receipts ("ADRs") or European Depositary Receipts ("EDRs") representing Common Stock of the Company at any time prior to, but not after, the close of business on June 27, 1989 at a conversion price of 332.10 Japanese Yen per share of Common Stock. A cash adjustment equivalent to accrued interest for the period Debentures converted during April 1, 1989 to June 27, 1989 shall be paid by the Company for those on JUNE 27, 1989 SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL DEBENTURES BEING REDEEMED.

KOMATSU LTD.
By: CITIBANK, N.A.
as Trustee

Dated: May 17, 1989

MONTEDISON

Gruppo Ferruzzi

S.p.A. - Registered Office: Milan - Foro Buonaparte, 31
Share Capital Lit. 2,704,621,524,000 fully paid up
Milan Court, Companies Registry Nr. 355 - Vol. 10 - Section 84

NOTICE OF A GENERAL MEETING OF SHAREHOLDERS

Shareholders of Montedison S.p.A. are hereby convened to attend an Ordinary General Meeting of share holders, to be held at Centro Congressi Milano Fiori di Assago (Milan) on June 21, 1989 at 10.00 AM (first call and if needed, on June 22, 1989 (second call), same time and place, in order to discuss and vote upon the following items on the agenda:

- Reports by the Board of Directors and Statutory Auditors on the financial year 1988;
- Accounts for the financial year 1988;
- Election of Directors and determination of their remuneration;
- Appointment of Independent Auditors under art. 2 of DPR 136/1975; determination of their remuneration;
- Resolutions relating to and required by the above items.

Shareholders are entitled to attend the General Meeting if, at least five days prior to the Meeting (excluding from the computation the day of the Meeting), they have deposited their share certificates at the Company's registered office or at one of the following financial institutions:

In Italy:

Monte Titoli (for certificates deposited with the same), Credito Italiano, Banca Commerciale Italiana, Banco di Roma, Banca Nazionale del Lavoro, Banco di Napoli, Banco di Sicilia, Banco di Sardegna, Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena, Banca Cattolica del Veneto, Banca Creditwest e dei Comuni Vesuviani, Banca Credito Agrario Bresciano, Banca del Monte di Lombardia, Banca di Legnano, Banca Lombarda di Depositi e Conti Correnti, Banca Manuzardi & C., Banca Mercantile Italiana, Banca Nazionale dell'Agricoltura, Banca Popolare Commercio e Industria, Banca Popolare di Bergamo, Banca Popolare di Milano, Banca Popolare di Novara, Banca Popolare di Sondrio, Banca Provinciale Lombarda, Banca Toscana, Banco di Chiavari e della Riviera Ligure, Banco di Santo Spirito, Banco Lariano, Barclays Bank PLC, Cassa di Risparmio delle Province Lombarde, Cassa di Risparmio di Firenze, Cassa di Risparmio di Genova e Imperia, Cassa di Risparmio di Roma, Cassa di Risparmio di Torino, Cassa di Risparmio di Verona Vicenza e Belluno, Citibank N.A., Credito Bergamasco, Credito Commerciale, Credito Emiliano, Credito Lombardo, Credito Romagnolo, Credito Varesino, Istituto Bancario Italiano, Istituto Centrale di Banche e Banche e Banche sue Associate, Istituto di Credito delle Casse di Risparmio Italiane "I.C.C.R.I." on behalf of Casse di Risparmio Associate, Nuovo Banco Ambrosiano.

Abroad (by appointment of Italian banks according to the law):

In Switzerland:

Société de Banque Suisse - Basel and Zurich, Crédit Suisse - Zurich, Union de Banques Suisses - Zurich, Hentsch & Cie. - Geneva, Banca della Svizzera Italiana - Lugano, Banco di Roma per la Svizzera - Lugano.

In France:

Banque Nationale de Paris, Crédit Lyonnais, Banque Indosuez, Banque Louis Dreyfus - Paris.

In Great Britain:

Hambros Bank Ltd., Morgan Guaranty Trust Co. - London.

In Belgium:

Banque Bruxelles Lambert, Kredietbank, Générale Bank - Bruxelles.

In West Germany:

Deutsche Bank, Dresdner Bank, Berliner Handels- und Frankfurter Bank - Frankfurt a/Main.

In The Netherlands:

Amsterdam Rotterdam Bank N.V. - Amsterdam and Rotterdam.

In U.S.A.:

Citibank N.A., Morgan Guaranty Trust Co. - New York.

On behalf of the Board of Directors
Raul Gardini
Chairman

PROCEDURES TO BE FOLLOWED BY FOREIGN SHAREHOLDERS:

(a) Shareholders wishing to attend must request in writing or by telex that the bank where their shares are deposited issue an admission ticket, if that bank is one of Montedison's above-listed depository banks; if the bank where their shares are deposited is not one of Montedison's depository banks, they must request that that bank contacts one of the depository banks so that an admission ticket can be issued. All admission tickets must be issued at least five days before the General Meeting.

(b) Shareholders wishing to vote by proxy may appoint a proxy only after depositing their shares and receiving the admission ticket in accordance with the procedures described in (a), above. Proxies are to be in writing and cannot be issued to banks, members of the Board of Directors, statutory auditors and employees of Montedison and its subsidiaries.

Please note: Shareholders may contact the foreign branches of the above-listed Italian depository banks to expedite these procedures.

* * * * *

THE COMPANY'S FINANCIAL STATEMENTS TO BE APPROVED AT THE MEETING ARE AVAILABLE FROM MAY 31, UPON REQUEST, FROM THE FOLLOWING LOCATIONS:

- MONTEDISON S.p.A., Foro Buonaparte 31, 20121 Milano (Italy) At. Mr. C. Faedi (tel. 2.6270.5609)
- MONTEDISON USA INC., 1114 Avenue of Americas, New York N.Y. 10036 (U.S.A.) At. Ms. M. Kennedy (tel. 212.764.0414)
- MORGAN GUARANTY U.K., Morgan House, 1 Angel Court, London EC2R 7AE (U.K.) At. Mr. D. White - Securities Service Dept. (tel. 1.600.23.00 ext. 3202).

UK COMPANY NEWS

Acatos slides to £1m as margins squeezed

By Claire Pearson

THE DOWNTURN in the UK edible oils and fats industry hurt Acatos & Hutcheson even more during the first half, when its pre-tax profits plummeted from £5.5m to £1.0m. The company said the reason for the squeeze on margins, which caused profits to grind to a halt during 1988, continued to lie in overcapacity in the British market which was compounded by fierce competition from European manufacturers. But there had also been difficulties with an internal restructuring during the first half.

One analyst said in the light of yesterday's results, for the six months to April 2, he was halving his pre-tax forecast for the full-year to £4m. The announcement left the shares

down 15p at 200p.

Acatos is, however, keeping the interim dividend at 3.5p and says the overall prospects for the second half are "considerably better than the first." Mr James Weir, finance director, said he would especially look for an improvement in the dominant operation which provides own-branded fats and oils to supermarket chains, which lost £2m during the first half. Recent reorganisations had put right a loss of focus arising from rationalisations during 1988, he said.

The company is not expecting the edible oils factory in Seville, Spain, which it owns through a joint venture, to move into production until next year. This contributed a loss of £600,000 during the

interim period.

The strength of sterling against the D-Mark took its toll on Acatos' trading margins while net interest payable rose to £1.22m (292,000) on higher UK interest rates. Turnover was £134.17m (£126.54m). Earnings per share came out at 2p (14.3p).

Mr Weir said Acatos continued to stand by statements made by Mr Ian Hutcheson, chairman, at the annual meeting in February that no takeover proposals from third parties, or the management, had been received. Analysts then said speculation surrounding the company, where substantial share stakes are held by directors and other friendly parties, seemed ill-founded at this stage.

Seaforth Maritime ships sold

By David Walker

JAMES FINLAY, the Glasgow-based international financier and trader, and Taylor Woodrow, the construction company, have sold the fleet of eight vessels belonging to Seaforth Maritime, their jointly-owned energy services company.

The eight ships are being sold to Svein Fastad, a publicly quoted Norwegian company, for £18.7m compared to a book value of £15.8m at the end of last year. The payment will be in cash, to be paid in a number of tranches.

The ships are the principal trading assets of the loss-making

Seaforth Maritime, 55 per cent owned by Finlay and 45 per cent by the construction company. In the year to December 1987, Seaforth lost £4m and is expected to have made a loss in 1988 as well.

Mr Richard Capper, a director of Capper, explained that the divestment was made with the straightforward aim of reducing the group's exposure to the difficult oil services sector. The poor performance at Seaforth has been one of the reasons why Finlay's pre-tax profits have fallen from £23m in 1983 to £2.6m in 1987. The company has recently

been beset by bid speculation and Elders Investments, an offshoot of Elders IXL, emerged last October with a 6.77 per cent stake. John Swire & Sons, the Hong Kong-based trading group, holds 29.9 per cent.

GKN expands

GKN, the automotive components and engineering group, is to extend its industrial services operations in the US through the acquisition of Foothill Tool and Equipment Rental, a plant hire business, for a total cost of £13.2m.

Pennant reports £199,000 loss

Pennant Group, the Norfolk-based leisure group traded on the Third Market, yesterday reported a move into the red in 1988, when it made a pre-tax loss of £199,121 against a pre-tax profit of £14,000 in 1987.

Turnover increased from £2.76m to £3.51m. The company blamed the loss on increased costs, such as spare parts for boats and coach engines.

There was an extraordinary debit of £78,533, representing the company's costs in joining the Third Market.

The result marks the third year of profits decline for the company, which saw pre-tax profits sink from £273,000 in 1985 to £129,000 in 1988. A final dividend of 0.2p is proposed, although the directors have waived their right to this.

Exceptional items boost Crown Comms to £3.79m

EXCEPTIONAL CREDITS of £2.26m, against £55,000 last time, were reflected in near-record pre-tax profits of £3.79m. U.S.M. quoted Crown Communications in the six months to March 31 1989, compared with £1.3m on a pro-forma basis to 1988, on a profit of £9.38m to £10.19m.

The exceptional items comprised the net profit on the sale of the group's investment in certain radio stations and profit on the sale of fixed assets. U.S.M. also reported a contribution to new offices/production facilities and development costs in relation to potential new business ventures.

Comparisons have been adjusted to reflect the merger

of Crown TV and Crown Radio and the acquisition of the outstanding 41.8 per cent interest in LBC.

The company is paying an interim dividend of 1.5p - last year a single final of 3p was paid.

During the period the company has developed its production activities. These developments, together with European radio, will involve considerable overhead expense in the current year, but are expected to make valuable contributions to future earnings.

The business communications side substantially increased turnover in the half, although profit margins were not yet satisfactory.

SHARE STAKES

Changes in share stakes announced recently include:

Abtrust New Dawn Investments: Singer and Friedland has acquired 3.3m shares (22.177 per cent).

Alva Investment: ERI has lifted interest to 473,200 shares (27.04 per cent).

BOC Group: DH O'Connell Jnr, director, exercised options on 152,000 ordinary at 280p, and sold at 50p.

Brooks Services: Si has disposed of its notifiable interest.

Carbo: W. Canning has acquired 30,000 shares and has 656,000 (5.13 per cent).

City of Oxford: Olliff and Partners acquired 100,000 lifting holding to 2,06m, (10.25 per cent).

Fleming Mercantile Investment: JF Denholm, director, purchased 2,378 ordinary at 208p. Holding now 4,878 (0.003 per cent).

Gartmore Value Investments: Govett Strategic Trust has acquired beneficial interest in 5m shares and now interested in 18.05 per cent.

Hambros Advanced Technology: Hambros has bought 5.1m shares and lifted holding to 10.2m (52.53 per cent).

Hanson: Mr CGF Harding, director, exercised options over 123,938 ordinary at 26 7/8p and sold 61,108 of those at 199p. Now holds 125,000.

Heath (CE): Hambros has lifted its stake by 935,000 shares to

8.57m (18.34 per cent).

Investment Trust of Guernsey: Island Properties has acquired 115,225 ordinary by taking 100,000 shares in kind.

Total holding 5.57m (7.767 per cent).

Jacobs (JI): John Henry Jacobs has acquired 205,000 shares at 70.62p bringing holding to 3m (13.95 per cent).

Kerry Group: Ulster Investment Services holds 2.69m A shares (5.8 per cent).

Macro & Scottish Amicable Investment Managers acquired further 35,000 and holds 1.92m (8.66 per cent).

Osprey Communications: Hill Samuel Smaller Companies Trust has acquired 66,805 and its total holding is now 539,918 (5.32 per cent).

Piston International: Quaestus SA bought a further 45,000 shares, increasing holding to 969,565 (14.45 per cent).

Savage Group: Nick Savage, chairman, has sold 600,000 shares at 177p and beneficial interest now 4.9m shares; David Brown, chief executive, sold 117,500 at same price and beneficial interest 800,000 shares. All shares sold to institutional clients of company's brokers.

Standard Chartered: PH Robinson, director, bought 1,000 ordinary at 540p. Holds 6,000 (0.002 per cent).

Telfos Holdings: Water Authorities superannuation funds

sold 100,000 shares, reducing holding to 1.625m (9.61 per cent).

Throgmorton Trust: Equitable Life Assurance has purchased 1m ordinary and holds 30.1m (7.17 per cent). Prudential Corporation has sold 1m shares reducing holding to 38.75m (10.98 per cent).

Titagarh Jute: John Brealey holds 15.29 per cent of preference.

Trust Investment Trust: British Empire Securities and General Trust purchased 517,500 shares (20.63 per cent).

Woodington: Following his resignation from board, Mr Harold S. Winton has disposed of his and his family's interest in 2.63m shares. They have been placed with institutions and others including directors of company.

USH to sell Fernau Avionics for £4.25m

By Clay Harris

UNITED SCIENTIFIC Holdings, the financially troubled defence equipment group, is to sell Fernau Avionics to management for £4.25m, less than two years after acquiring the manufacturer of ground navigation systems and radio surveillance equipment.

The disposal price is less than the £7.5m USH paid for Fernau and the £5.3m balance-sheet value of the subsidiary's assets at September 30 1988. However, USH is retaining, and plans shortly to sell, property valued at £5m. Fernau has also paid its parent about £700,000 in dividends since 1987, not counting a special £2.75m payment included in the sale price.

Mr Nick Frost, who was appointed deputy chief executive earlier this month on the same day USH warned that it would report a loss for the current year, said the group had made a small turn on its investment in Fernau. The disposal, which was signalled in March when USH's agenda was told that Fernau fell outside its intended core activities, was the only one envisaged at present, he said.

Fernau made pre-tax profits of £1.4m in the year to September 30, although Mr Frost said this figure included one-off property sales and disposals from an investment portfolio. The new management company, backed by 31, will assume responsibility for a £1.5m payment due to be made to the original sellers on completion of a major contract.

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COMPAGNIE DE BANQUE ET D'INVESTISSEMENTS

GENÈVE - LUGANO - LONDRES - NEW YORK - TOKYO

The Compagnie de Banque et d'Investissements (CBI) with headquarters in Geneva and offices in London, New York and Tokyo is opening a new branch in the Ticino in order to reinforce its presence in the Swiss financial market place, at the following address:

CBI
Compagnie de Banque et d'Investissements
Lugano Branch
Via Cantonale, 2
CH - 6901 Lugano
Switzerland
Tel. +41 (0)91/23 66 33 - Facsimile +41 (0)91/22 04 05

Mr. Adriano Sala has been appointed Branch Manager.

Mr. Gianfrancesco Moscatelli, resident in Lugano and Managing Director of Figein S.A., a finance company from now on wholly owned by CBI, has been appointed Director of the Bank and will be supervising the running of the Ticino branch.

Pargesa

Holding SA
GENEVA

1988 DIVIDEND

Following the decision taken by the Shareholders' General Meeting held on May 29, 1989, the dividend for the 1988 fiscal year is payable, free of charge, as of May 30, 1989 by BANQUE PARIBAS (SUISSE) S.A., UNION DE BANQUES SUISSES, SOCIÉTÉ DE BANQUE SUISSE and CRÉDIT SUISSE, as follows:

Per bearer share of Sfr. 1.000.- nominal value, against remittance of coupon No 11:

Gross amount: Sfr. 65.-
(-35% Federal withholding tax)
Value number: 217 375

Notice of Redemption

U.S. \$25,000,000



The Sanwa Bank, Limited

Floating Rate Certificates of Deposit
Due 5th July, 1990

Notice is hereby given that, in accordance with Clause 3 of the Certificates, the issuer will exercise the Call Option and redeem all the outstanding Certificates at their principal amount on 5th July, 1990 when interest on the Certificates will cease to accrue.

Repayment of principal together with accrued interest will be made upon presentation of the Certificates at the London office of the issuer on 5th July, 1990.

Credit Suisse First Boston Limited
Agent Bank

NOTICE OF PURCHASE

BOWATER INDUSTRIES PLC

9 3/4% Bonds due 15th May 1992

NOTICE IS HEREBY GIVEN

to bondholders that US\$5,000,000 nominal amount of the above issue was purchased in the market in the period prior to 15th May 1989 and applied in respect of the ninth mandatory redemption instalment payable on that date.

BOWATER INDUSTRIES PLC.

Bowater House
Knightsbridge
London SW1X 7NN

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Yield	%	P/E
335	295	Am. Bt. Int. Ordinary	335/2	0	10.5	5.1	9.0
38	28	Amlyng Int. Ord.	28	0	10.5	5.1	9.0
33	25	BBS Dealer Group (US\$)	25	0	11.7	7.1	7.1
210	149	Barton Group	210	0	11.7	7.1	7.1
124	105	Barton Group Co. Prof. (SE)	124	-2	6.7	5.4	-
125	100	Bep Technologies	100/2	0	5.9	5.8	8.9
110	107	Brashill Com. Prof.	108	0	14.7	4.9	3.7
305	285	CCL Group Ordinary	299/2	0	14.7	4.9	3.7
176	166	CCL Group 11 1/2% Com. Prof.	176	0	14.7	4.9	3.7
208	140	Carbo Pte (SE)	208	0	7.6	3.7	12.2
110	109	Carbo 7 1/2% Prof (SE)	110	0	12.0	3.0	8.7
394	355	George Blair	394	0	12.0	3.0	8.7
125	119	Jef Group (SE)	125	0	7.1	4.0	10.3
322	261	Midwestone BV (AmstSE)	322	0	7.1	4.0	10.3
110	98	Robert Jenkins	110	-2	7.5	6.8	4.2
457	403	Scythians	467	0	18.7	4.0	12.4
285	270	Telfos Holdings	285	0	9.3	3.3	30.0
117	109	Telfos & Curtilles Com. Prof.	117	0	10.7	9.1	-
122	92	Telfos Holdings (US\$)	99	0	2.7	2.8	10.6
114	102	Unifirst Europe Com. Prof.	114	0	8.0	6.9	-
348	325	Waterbury Bus Co. Pte.	348	0	22.0	5.4	9.4
370	327	W.S. Yates	355/2	0	15.2	4.9	27.8

Securities designated (SE) and (US\$) are dealt in a market through Bank, neither Granville & Co. Limited nor Granville Charles Limited are market makers in these securities.

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Prices taken at 5pm and change is from previous close at 9pm

TECHNOLOGY

The healthy results of a little flexibility

A few years ago every one was talking about flexible manufacturing systems (FMS). It was the only answer to small batch production, they said.

But people tried to jump too many technological hurdles at once and the acronym FMS started to be associated with expensive disasters. Today, it may not be the trendy phrase it was, but FMS is very much alive - and producing healthy results for many a manufacturing company. One such is Tormoz, a small subcontractor based in Chassiers, near Lyon, in the Rhone-Alpes region of France.

Small batch production helps to provide the flexibility needed for just-in-time manufacturing which involves producing only to customer order and eliminating stock.

The problem with small batches is the set-up time. Even with the most modern machine tools, it can take several hours, or even several days, to prepare a machine before production can start.

The target of an FMS is to avoid this delay by separating the set-up operation from the machining process. While an operator at one station is preparing a pallet, its fixtures and the component for machining, machine tools at other stations are cutting the prepared components.

To keep production going continuously, an FMS has to incorporate tool stores, pallet stores and an automated cart that transfers the pallets between the different stations and stores. The whole operation is computer controlled.

Not everything has gone smoothly. The tool changing software is shared between the two cells and it took longer than expected to link them up. Hydrovane also continued its practice of pre-machining its bought-in rough castings before putting them on to the FMS. It has now decided it should feed the rough castings into the system directly.

The cells are also not linked up to the company's mainframe computer as some companies have done as part of a computer-integrated (Cim) system. "I don't know whether it is necessary," says Batchelor.

He also points to a case of costing the use of FMS cells which Hydrovane resists. The tendency is for factories to run flexible systems flat out to give a high measurement of work throughput. "All this

does is build up inventory, producing material we don't necessarily need. We are treating the FMS as a fixed overhead."

He also says that measuring the cost of an FMS against labour saved is a useless task. "Labour is only 4 per cent of the company's costs anyway."

However, the company points to substantial improvements in business performance as a result of the FMS and the shop-floor reorganisation of which it is part. Without it, says Batchelor, the company would not have been able to meet a substantial growth in demand in the compressor market. It has been able to do this without seeking extra floor space, which would have been necessary if it had simply controlled machines.

The FMS allows the company to keep machining quality to plus or minus five microns (millionths of a metre), providing a much more consistent performance. It has also led to some one-off savings.

Hydrovane's most recently introduced products have been designed to make components easier to machine and handle on the FMS. But the main benefits of the FMS are part of the overall changes on the shop floor. Hydrovane makes all its products to order and says it has reduced the time between ordering and delivery from three months to five weeks. The target is 20 days.

The company does concede that its assembly area is outdated, with piles of components lying on the floor. New tracks there should help cut the time from the finish of component machining to final assembly from seven days to one seven-hour shift.

By various means, including with its suppliers, the company has raised its stock turnover from 3.5 times to 5.5 times per year. Foundries supplying castings, for example, receive a weekly schedule of Hydrovane requirements.

Batchelor says that it has been hard work. "It is an awful lot for one company to absorb in one single."

And Hydrovane is discovering something that other medium-sized manufacturers have also come across after modernising their manufacturing. It needs to beef up the numbers of production engineering personnel to cope with operating a modern shop-floor.

With only 190 employees and an FMS machining more than 120 components, Tormoz is not

a typical FMS user. The company was formed by the Tormoz family in 1986 and the 1988 turnover was FF1 100m (£10m), an increase of 17 per cent over the 1987 figure.

The business is entirely involved in sub-contract machining, the bulk of customers coming from the transport, textile machinery and armament industries. About 25 per cent of turnover is exported to the UK, Belgium, West Germany and Switzerland.

From the beginning, Tormoz invested in the most modern equipment. In 1978, it bought its first numerically controlled machine tool and since then about 30 more have been introduced. Most are linked to a central direct numerical control (DNC) computer, so that the machining programs can be downloaded electronically to the machine controllers without having to use paper tape.

However, almost every machine Tormoz bought was different: different models, different makes, different numerical control systems.

By the mid-1980s, the company began to realise the error of its ways. Having a variety of machine tools meant that every job had to be prepared for a specific machine. This inhibited scheduling flexibility, resulting in delays and disorder whenever an unforeseen event occurred - such as a machine breakdown or a rush order.

But probably what affected Tormoz's philosophy even more were developments in the market-place. Customers were changing their ways of ordering. Instead of placing orders for 250 per month, they were beginning to ask for 25 every two days, for example.

Today, about 60 per cent of output is processed in a just-in-time mode, with customers taking delivery of their orders in "time slots" every one or two days.

A crucial step in developing greater flexibility was to eliminate set-up times. Two decisions were made: to standardise on control systems from Fanuc, of Japan; and to install an FMS.

Few calculations preceded the investment. "A small company like Tormoz doesn't have the resources to study and calculate pay-back periods. The need we had identified was enough for us to proceed with

the investment," says Jean-Luc Bacher, export marketing director.

The company opted for one of the standard FMS solutions on the market, that of the Japanese machine tool company, Makino. As it needs only a small amount of tailoring, the technical risk is minimised.

The first phase of the investment, involving FF1 16.5m, was put into place in 1986. It involved three identical machining centres, a wash station, an extra tool magazine, a rail-guided pallet transfer truck, two load/unload stations and a 56-pallet storage rack. The truck takes pallets containing components or cutting tools between the load/unload stations, the storage rack and the machines.

Everything is under the control of a computer, which ensures that the cutting programs, cutting tools and parts are all in the right place at the right time. In the second phase, added late last year, a further three machining centres were incorporated.

Originally, the company had hoped to run the system unmanned for part of the time, but that has not been achieved. This is mainly because the FMS accomplishes so much work so quickly that unloading the completed work at the end

of an unmanned period could become chaotic.

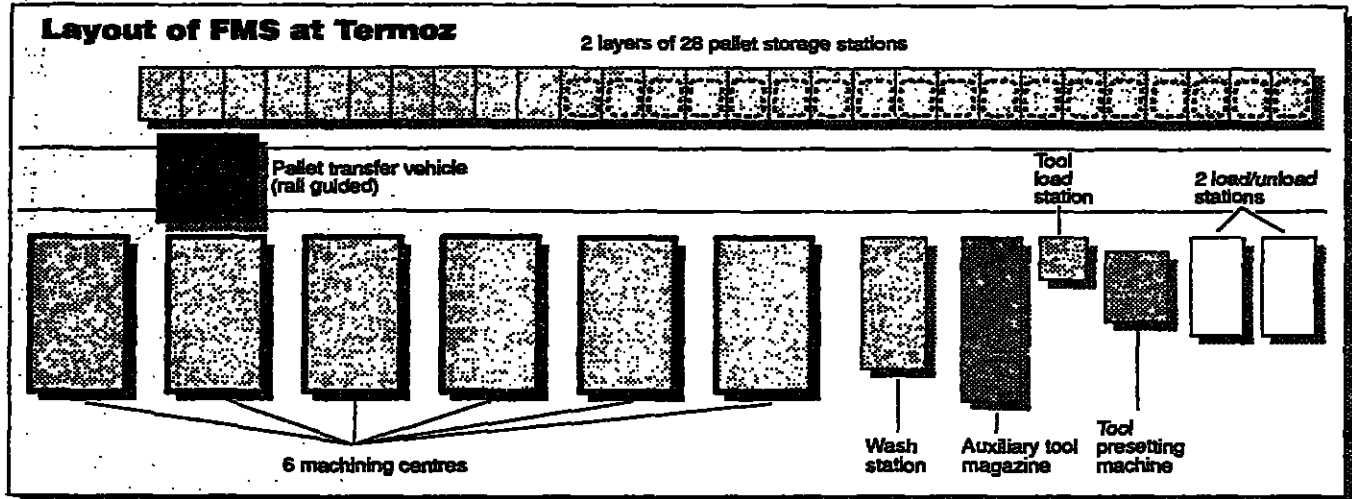
With an average machining time of 25 minutes per pallet, six machines can finish more than 12 an hour. Tormoz has found it necessary to have three workers on the system at all times: one for loading and unloading pallets; one for inspecting completed components; and a third for supervising and preparing cutting tools.

Has Tormoz done any retrospective pay-back calculations? There is no time for that, says Bacher, and no need. The FMS is kept busy 24 hours a day, seven days a week - except for a three-hour break each week for maintenance.

Before the latest three machines were added, the system had achieved a high efficiency rate with the machines operating for 95 per cent of their available time.

The company claims that from the moment a client places an order by telex it takes only 30 minutes before the FMS starts machining the component - provided that it is already "programmed" to the system. Previously, says Bacher, this would have taken two to three days and caused disruption.

Flexible manufacturing systems ought to suit the nimble ways of small companies, but the size of the investment and the expertise required often act as barriers to their installation. In these two examples of approaches to FMS, the main contrasts lie in the attitudes of the small organisations to continuous running and pay-back periods



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How do you justify the installation of a costly flexible manufacturing system (FMS) when group head office has a rule, cast in stone, that capital investment must have a two-year pay-back time?

Hydrovane, the UK compressor manufacturer, says it has done this with a £3.5m investment in two machining cells as part of a complete reorganisation of its shop-floor. The cells each include four computer-linked cutting machines and a robotic vehicle moving along almost 40 metres of track, loading and unloading components.

The project, which will cost £4.5m, is not yet finished. The programme, at Hydrovane's site at Redditch, in the Midlands, is being monitored by auditors from the parent company, Sibie. Hydrovane says that it is on course to meet the tight pay-back deadline.

Mike Batchelor, Hydrovane's manufacturing director, says that conventional methods of costing should not be applied to sophisticated items of capital investment like FMS cells. However, the company's experience indicates that even on conventional grounds, expensive pieces of kit can meet high "pay-back" hurdles, if they are

part of a wider reorganisation. This experience is underscored by other examples in the UK, including a firm FMS cell installed by Fritz Werner, the West German manufacturer, at Landis Lund, a machine tool maker in Keighley, West Yorkshire. Landis Lund claims that its FMS has paid for itself in three years.

Hydrovane, with sales last year of £30m, manufactures compressors ranging in price from £400 to £15,000. It claims a 25 per cent share of the UK market for portable compressors - the yellow, towable machines seen on building sites. Its main competitors include Sweden's Atlas Copco, Ingorsoll Rand of the US, Broomwide of the UK, and CompAir-Holman, another UK subsidiary of Sibie.

In 1985 Hydrovane decided to reorganise its manufacturing. A broad plan was devised the following year and the first machinery installed in 1987. The 150,000 sq ft Redditch factory was redesigned to improve work flow: changing the location of the stores, delivery and despatch areas, introducing moving tracks into the assembly area and installing computerised testing equipment. All this will not be completed for another year or so, although both cells

of the FMS system are up and running.

The machines, the carrying vehicle and the computer software were provided by FMT, the Brighton-based machine tool company formerly called KTM. The two cells are controlled by a Digital Equipment computer system and the machine controllers are from Siemens of West Germany.

One cell handles aluminium components like oil chambers, bell housings and manifolds. It machines 33 components with a total of 44 machining operations. The other cell machines cast iron parts like drive shafts and rotor stator units. This cell deals with 20 components and a total of 20 operations. The definition of an "operation" is broad. It might involve, for example, drilling and threading up to 60 holes.

Tool changing on machines is done automatically using a series of sensors to measure wear, bar codes to identify tools and a computer-run tool management system. None of these features are new to FMS, although FMT claims its tool changing system requires less lower tool stocks than systems from West German and Japanese competitors.

Not everything has gone smoothly. The tool changing software is shared between the two cells and it took longer than expected to link them up. Hydrovane also continued its practice of pre-machining its bought-in rough castings before putting them on to the FMS. It has now decided it should feed the rough castings into the system directly.

The cells are also not linked up to the company's mainframe computer as some companies have done as part of a computer-integrated (Cim) system. "I don't know whether it is necessary," says Batchelor.

He also points to a case of costing the use of FMS cells which Hydrovane resists. The tendency is for factories to run flexible systems flat out to give a high measurement of work throughput. "All this

does is build up inventory, producing material we don't necessarily need. We are treating the FMS as a fixed overhead."

He also says that measuring the cost of an FMS against labour saved is a useless task. "Labour is only 4 per cent of the company's costs anyway."

However, the company points to substantial improvements in business performance as a result of the FMS and the shop-floor reorganisation of which it is part. Without it, says Batchelor, the company would not have been able to meet a substantial growth in demand in the compressor market. It has been able to do this without seeking extra floor space, which would have been necessary if it had simply controlled machines.

The FMS allows the company to keep machining quality to plus or minus five microns (millionths of a metre), providing a much more consistent performance. It has also led to some one-off savings.

Hydrovane's most recently introduced products have been designed to make components easier to machine and handle on the FMS. But the main benefits of the FMS are part of the overall changes on the shop floor. Hydrovane makes all its products to order and says it has reduced the time between ordering and delivery from three months to five weeks. The target is 20 days.

The company does concede that its assembly area is outdated, with piles of components lying on the floor. New tracks there should help cut the time from the finish of component machining to final assembly from seven days to one seven-hour shift.

By various means, including with its suppliers, the company has raised its stock turnover from 3.5 times to 5.5 times per year. Foundries supplying castings, for example, receive a weekly schedule of Hydrovane requirements.

Batchelor says that it has been hard work. "It is an awful lot for one company to absorb in one single."

And Hydrovane is discovering something that other medium-sized manufacturers have also come across after modernising their manufacturing. It needs to beef up the numbers of production engineering personnel to cope with operating a modern shop-floor.

Anna Kochan

Nick Garnett

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and the FINANCIAL TIMES CONFERENCE ORGANISATION
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Tender Offer

BY

J. Henry Schroder Wagg & Co. Limited

ON BEHALF OF

IEP Securities Limited

for the sale of 8,668,900 ordinary shares in

Molins PLC

at a minimum price of 190 pence per share
(the "Tender Offer")

31st May, 1989

J. Henry Schroder Wagg & Co. Limited ("Schroders"), on behalf of IEP Securities Limited ("IEP Securities") hereby invites, subject to the following terms and conditions, tenders for the purchase of 8,668,900 ordinary shares of 25p each in Molins PLC (the "Molins ordinary shares"), representing approximately 29.2 per cent of the issued ordinary share capital of Molins PLC (the "Molins PLC"). IEP Securities is a wholly-owned subsidiary of Industrial Equity (Pacific) Limited ("IEP").

- Tenders must be for all the Molins ordinary shares and each tender must be at the same price per share for all such shares and must be expressed in sterling as a whole number of pence per share. Stamp duty and/or stamp duty reserve tax will be payable by the purchaser.
- The minimum tender price shall be 190 pence in cash for each Molins ordinary share. Schroders may, at its absolute discretion, accept alternative forms of consideration provided that the value of such consideration is, in the opinion of Schroders, greater than the value of the highest cash offer which has been received and, in any event, is not less than 190 pence per Molins ordinary share. Without prejudice to paragraph 3 below, Schroders shall not be bound to accept any offer which is not in cash or in respect of which a suitable confirmation of the availability of cash (if such a confirmation is requested by Schroders) is not provided.
- Tenders should be in writing and must be received by 11.00 a.m. on Tuesday, 13th June, 1989. Subject to paragraph 8 below, the tender at the highest price made in accordance with these terms will be accepted and that price, if more than one valid tender is made at that price, Schroders shall have absolute discretion either to decide which of such tenders to accept or to invite those parties to increase the price at which they are tendering. The successful tenderer will be notified by 11.00 a.m. on Wednesday, 14th June, 1989. An announcement will be made to the Stock Exchange as soon as practicable thereafter.
- Where a tender is accepted, completion by business day, or such other consideration as has been agreed, in respect of the sale of the Molins ordinary shares shall be effected at the offices of Schroders referred to below no later than 1.30 p.m. on Wednesday, 14th June, 1989.
- Tenders should be addressed to J. Henry Schroder Wagg & Co. Limited, 120 Chesapeake, London EC2V 6DS for the attention of Mr. John Rojnocka. Each tender must be accompanied by a bankers' draft for a deposit equal to 5 per cent of the tender value. In the event that the successful tenderer is unable to satisfy upon completion (as referred to in paragraph 4 above) the balance of the tender value, his deposit shall be forfeited and his tender will automatically be deemed to have lapsed. In such circumstances Schroders shall accept the tender at the next highest price determined in accordance with paragraph 3 above and shall extend the time and date by which completion of the sale of the Molins ordinary shares must be effected. Notification of the next highest tender and of the extended time and date for completion will be given by 5.00 p.m. on Wednesday, 14th June, 1989.
- Tenders once made will be irrevocable. By submitting a tender, a person tendering will offer to purchase at the price stated in such tender all the Molins ordinary shares on the terms of this Tender Offer, and any contract resulting from the acceptance of that tender will be governed by and construed in accordance with English law. The Molins ordinary shares will be sold free from all liens, charges and encumbrances and with all rights attaching thereto, including the right to receive all dividends and other distributions declared, made or paid after Tuesday, 13th June, 1989.
- The right is reserved (at the option of IEP Securities) to terminate this Tender Offer and to reject all tenders (but not some only) in the event that, at any time at or before 11.00 a.m. on Tuesday, 13th June, 1989, a public announcement is made by any party or Molins of any intention to make an offer, or of discussions which may lead to an offer being made, to acquire the whole of the issued ordinary share capital of Molins by way of an offer, partial offer or tender offer under the provisions of the City Code on Takeovers and Mergers or the Rules Governing Substantial Acquisitions of Shares.
- No person receiving this Tender Offer in any territory other than the United Kingdom may treat the same as constituting an invitation to him nor should he in any event tender, unless in the relevant territory such invitation could lawfully be made to him and such tender could lawfully be made without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to tender to satisfy himself as to observance of the laws of the relevant territory in connection therewith including obtaining any requisite governmental or other consents or observing any other formalities needing to be observed in such territory.
- Tenders which are made subject to any condition or other terms will, at Schroders' absolute discretion, be disqualified.
- Schroders reserves the right to reject any tender not complying in all respects with the requirements of this Tender Offer.
- The Tender Offer is being made only to persons who fall within Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1986, being persons referred to as sufficiently expert to understand the risks involved.

General Information

- IEP is not interested in any ordinary shares of Molins save for the Molins ordinary shares held by IEP Securities, which are the subject of the Tender Offer, and one Molins ordinary share held by Rainbow Group (UK) Limited, a wholly-owned subsidiary of IEP.
- In the event that no tenders are received and accepted at or above the minimum tender price, Schroders, on behalf of IEP or a subsidiary of IEP, will make a cash offer for the whole of the issued ordinary share capital of Molins not already owned by IEP Securities at not less than the minimum tender price. The terms and conditions of such an offer, if required, are set out in Appendix B to the present announcement dated 30th May, 1989, copies of which announcement are available from the offices of Schroders.
- This advertisement, which does not and is not intended to constitute an offer or invitation to acquire, otherwise than pursuant to the Tender Offer, or to subscribe for securities in Molins, has been issued by Schroders, a member of P&H and financial adviser to IEP Securities in connection with the Tender Offer.
- J. Henry Schroder Wagg & Co. Limited is registered in England No. 832081 and its registered office is at 120 Chesapeake, London EC2V 6DS. IEP and IEP Securities are companies incorporated in Hong Kong and the registered office of both is at 2801 Three Exchange Square, Central, Hong Kong.

COMMODITIES AND AGRICULTURE

EC farm ministers urged to accept NZ imports plan

By Tim Dickson in Brussels

MR RAYMOND MacSharry, the European Community's Agriculture Commissioner, has urged EC farm ministers to end the uncertainty surrounding imports of butter and sheepmeat from New Zealand.

Farm Council in Luxembourg on June 19. If so it will bring to an end the "roll-over" arrangements under which New Zealand butter has continued to enter the UK market in quantities based on last year's annual quota of 74,500 tonnes, and which ministers decided late on Monday night should now run until at least the end of next month.

and Mr Andriessen involved a cut in the butter quota to 64,500 tonnes this year (with successive reductions in the following years) compensated by a cut in the import levy from 25 per cent to 15 per cent.

EC agrees action programme for forests

By Tim Dickson in Brussels

SEVERAL hundred million Ecu over the next five years will be spent on Europe's "wood chain" - shorthand for forestry and forest products industry - under a programme of measures agreed by European Community Farm Ministers in Brussels this week.

the community's Common Agricultural Policy and the Commission's determination to stimulate the development of the rural world (including agriculture and other rural activities).

development, for forestry development on agricultural land (an annual premium of Ecu 150 per hectare will compensate farmers for loss of revenue) for the reinforcement of environmental protection, and for a European Information and Communication System.

Tin pact expiry 'will not affect settlement'

By Kenneth Gooding, Mining Correspondent

THE EXPIRY on June 30 of the International Tin Agreement - under whose authority the International Tin Council operates - should not disturb the attempts being made to reach an out-of-court settlement and creditors caught up in the 1995 collapse of the ITC's buffer stock operations. That was the view expressed by some delegates at the ITC meeting for a special session yesterday.

The meeting was called to consider in good time the ITC's legal position after June 30 and to ensure that it could continue to act effectively.

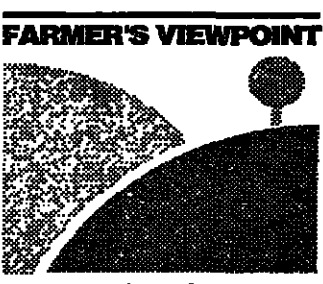
WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

Denmark's farmers count the cost of borrowing

High interest rates and European Community pricing policies are signalling the end of family farms

MR JON KRABBE looks more like an accountant than a farmer. Slim and dapper, he wears a grey beard and a moustache. He does, however, run one of the biggest farms in Denmark and for the last five years has been chairman of the Danish equivalent of the Country Landowners' Association.



By David Richardson

of his cattle feed, however, was straw from his own and his neighbours' cereal crops. Chopped into short lengths it provided essential fibre; impregnated with ammonia gas it became a source of protein.

that 40 Danish towns do likewise. They are encouraged to do so by heavy taxes which represent 75 per cent of the price of fuel oil combined with exemption from tax for all items associated with straw burners.

with 20-year fixed interest loans taken out to buy their farms or renew their buildings, and negotiating for less than 18 to 20 per cent. It is estimated that up to half of Denmark's farmers only survive by becoming part-timers and taking other jobs.

One who had done just that told me he saw no future for the average family farm. His holding was 175 acres - more than twice the average for the country.

The ITC working party that has been trying to work with creditors towards a settlement is due to meet again in mid-June. However, the two sides remain far apart over the question of compensation. Discussions are unlikely to restart until after the next round of litigation begins on June 12 in the House of Lords, Britain's highest court of appeal.

LONDON MARKETS

Table with columns for various commodities like AN, COPPER, COCOA, SUGAR, SPOT MARKETS, GOLD, SILVER, PLATINUM, ALUMINIUM, ZINC, LEAD, NICKEL, TIN, COPPER, RUBBER, COCONUT OIL, PALM OIL, COPRA, SOYABEANS, COTTON, WOOLTOPS, and their respective prices.

WORLD METAL EXCHANGE

Table showing metal exchange prices for Aluminum, Copper, Lead, Nickel, Tin, Zinc, and other metals in various currencies.

US MARKETS

Table showing US market prices for various commodities like Wheat, Corn, Soybeans, and other agricultural products.

NEW YORK

Table showing New York market prices for Gold, Silver, Platinum, and other precious metals.

CHICAGO

Table showing Chicago market prices for Soybeans, Corn, Wheat, and other commodities.

INDEXES

Table showing various financial indices like FTSE 100, Dow Jones, and others.

WORLD COMMODITIES PRICES

Large table summarizing world commodity prices for various goods like oil, grains, and metals.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-625-2128.

AUTHORISED UNIT TRUSTS

Main table containing unit trust information, organized into columns for various trust categories and their respective prices. Includes sub-sections like 'CCL Unit Trusts Ltd (14001F)', 'Global Asset Management (12001F)', and 'LAS Unit Trusts Ltd (14001F)'. Each entry lists the trust name, its code, and current price.

GUIDE TO UNIT TRUST PRICING. This section explains the pricing structure of unit trusts, including the difference between the 'offer price' and the 'redemption price'. It details how the 'offer price' is calculated as the 'redemption price' plus a commission, and how the 'redemption price' is determined by the net asset value of the trust. It also mentions that the 'offer price' is the price at which units are sold to investors, and the 'redemption price' is the price at which units are bought back from investors.

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Main table containing unit trust information with columns for Name, Price, and other details. Includes sub-sections like 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

INSURANCES

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Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for various regions and services.

MANAGEMENT SERVICES

David M. Adams Personal Fin. Plans Ltd. 020-255-5282

The Analysts Group PLC 020-255-5282

Sturgeson Franks PLC 020-255-5282

Sydney White & Partners Ltd 020-255-5282

General Law & Company Ltd 020-255-5282

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First Financial PLC 020-255-5282

The Fitzgibbon Group 020-255-5282

Garrett Fund Managers Ltd 020-255-5282

Hobson M.H. & P. Ltd 020-255-5282

Investment Partners Service Ltd 020-255-5282

Johnson Fry Financial Services Ltd 020-255-5282

Keight Williams & Company Ltd 020-255-5282

TSB Life Ltd 020-255-5282

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Lawson & Partners Pte 020-255-5282

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Profitlife International Mgmt Ltd 020-255-5282

Robinson & Partners Ltd 020-255-5282

Switzerland (GD RECORDED) 020-255-5282

Guernsey (GD RECORDED) 020-255-5282

Jersey (GD RECORDED) 020-255-5282

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FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various investment funds, their performance, and details.

LONDON SHARE SERVICE

Table of London Share Service listing various British funds, international bank and overseas funds, and corporate loans.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans listing various loan products and their terms.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails listing various international bond and rail investments.

AMERICANS

Table of Americans listing various American investment funds.

Money Market Bank Accounts

Table of Money Market Bank Accounts listing various bank account products.

Money Market Trust Funds

Table of Money Market Trust Funds listing various trust fund products.

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Table of Money Market Trust Funds listing various trust fund products.

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LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies such as American Express, American International Group, and American Overseas, with columns for share price, high, low, and change.

BUILDING, TIMBER, ROADS

Table listing companies in the building, timber, and roads sectors, including Bovis Lend Lease and Bovis Lend Lease Group.

DRAPERY AND STORES - Contd

Table listing companies in the drapery and stores sector, including Debenhams and Debenhams Group.

ENGINEERING

Table listing engineering companies such as Balfour Beatty, Balfour Beatty Group, and Balfour Beatty International.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies including British Airways, British Airways Group, and British Airways International.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies including British Airways, British Airways Group, and British Airways International.

CANADIANS

Table listing Canadian companies such as Alcan, Alcan Group, and Alcan International.

BANKS, HP & LEASING

Table listing banks and hire purchase/leasing companies, including Bank of Montreal and Bank of Montreal Group.

ELECTRICALS

Table listing electrical companies such as British Telecom, British Telecom Group, and British Telecom International.

FOOD, GROCERIES, ETC

Table listing food and grocery companies including British Food, British Food Group, and British Food International.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies including British Airways, British Airways Group, and British Airways International.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies including British Airways, British Airways Group, and British Airways International.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies such as British Beer, British Beer Group, and British Beer International.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies including British Chemicals, British Chemicals Group, and British Chemicals International.

DRAPERY AND STORES

Table listing drapery and stores companies, including Debenhams and Debenhams Group.

HOTELS AND CATERERS

Table listing hotels and caterers companies such as British Hotels, British Hotels Group, and British Hotels International.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies including British Airways, British Airways Group, and British Airways International.

INSURANCES

Table listing insurance companies such as British Insurance, British Insurance Group, and British Insurance International.

BUILDING, TIMBER, ROADS

Table listing companies in the building, timber, and roads sectors, including Bovis Lend Lease and Bovis Lend Lease Group.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies such as British Beer, British Beer Group, and British Beer International.

INDUSTRIALS (Misc.) - Contd

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INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies including British Airways, British Airways Group, and British Airways International.

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LONDON SHARE SERVICE

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INSURANCES - Contd

Table of insurance companies including Royal Indemnity, Commercial Union Assurance, and others, with columns for stock price, high, low, and volume.

PAPER, PRINTING, ADVERTISING - Contd

Table of paper, printing, and advertising companies including Newsprint, Paper Merchants, and others.

TEXTILES

Table of textile companies including British Textiles, Textile Manufacturers, and others.

TRUSTS, FINANCE, LAND - Contd

Table of trusts, finance, and land companies including Investment Trusts, Finance, and Land.

OIL AND GAS - Contd

Table of oil and gas companies including Overseas Traders, Plantations, and others.

MINES - Contd

Table of mining companies including Central Rand, Eastern Rand, and others.

LEISURE

Table of leisure companies including Leisure, Entertainment, and others.

PROPERTY

Table of property companies including Property, Real Estate, and others.

TOBACCO

Table of tobacco companies including Tobacco, Cigarettes, and others.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land companies including Investment Trusts, Finance, and Land.

OVERSEAS TRADERS

Table of overseas traders including Overseas Traders, Plantations, and others.

THIRD MARKET

Table of third market companies including Third Market, Finance, and others.

MOTORS, AIRCRAFT TRADES

Table of motors and aircraft trades companies including Motors, Aircraft, and others.

COMMERCIAL VEHICLES

Table of commercial vehicles companies including Commercial Vehicles, Trucks, and others.

FINANCE, LAND, ETC

Table of finance, land, and other companies including Finance, Land, and others.

OIL AND GAS

Table of oil and gas companies including Oil and Gas, Energy, and others.

DIAMOND AND PLATINUM

Table of diamond and platinum companies including Diamond and Platinum, Jewelry, and others.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including Regional and Irish Stocks, Finance, and others.

NEWSPAPERS, PUBLISHERS

Table of newspapers and publishers including Newspapers, Publishers, and others.

SHIPPING

Table of shipping companies including Shipping, Maritime, and others.

SHOES AND LEATHER

Table of shoes and leather companies including Shoes and Leather, Footwear, and others.

SOUTH AFRICANS

Table of South African companies including South Africans, Finance, and others.

AUSTRALIANS

Table of Australian companies including Australians, Finance, and others.

TRADITIONAL OPTIONS

Table of traditional options including Traditional Options, Finance, and others.

This Service is available in every Country that has an Stock Exchange through a local member of the FT Cityline network for each country.

WORLD STOCK MARKETS

Table of world stock markets including sections for Australia, Canada, Germany, Italy, Japan, New York, and South Africa. Each section lists various stocks with their prices and changes.

Table of Canadian stock markets including Toronto and Montreal. It lists various stocks and their performance metrics.

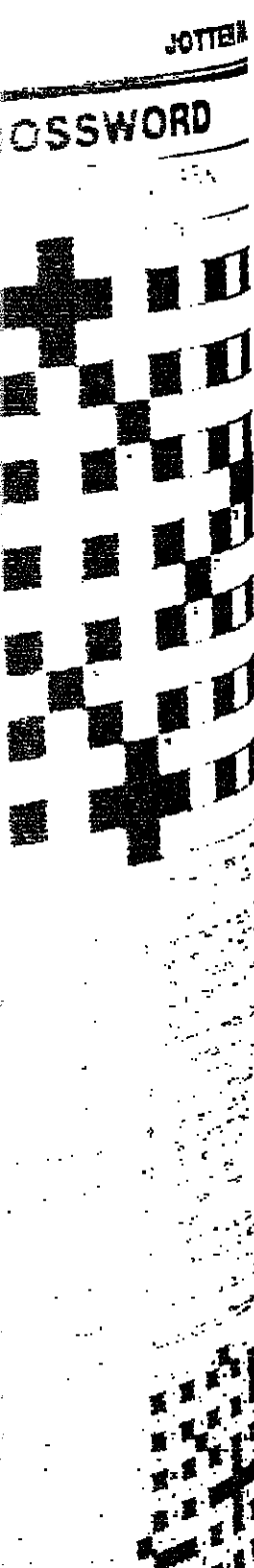
Table of stock indices including Dow Jones, Nikkei, and various regional indices. It shows index values and percentage changes.

Table of Japanese stock markets listing various companies and their stock prices.

Table of Tokyo stock markets listing various companies and their stock prices.

Table of Singapore stock markets listing various companies and their stock prices.

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3pm prices May 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like '12 Month High', 'Low', 'Close', 'Open', 'Change', 'Volume', 'Bid', 'Ask', 'Last Sale', 'Settlement', 'Dividend', 'Yield', 'P/E Ratio', 'Market Cap', 'Sector', 'Company Name', 'Symbol', 'Exchange'.

Continued on Page 45

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NYSE COMPOSITE PRICES

Main table of NYSE Composite Prices listing various stocks with columns for stock name, price, change, and volume.

Notes and information regarding the NYSE Composite Prices table, including details on data sources and reporting standards.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 30

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, change, and volume.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, change, and volume.

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AMERICA

Dow retreats despite talk of monetary easing by Fed

Wall Street

WHILE BONDS rallied on talk of a slight monetary easing by the US Federal Reserve, equities traded quietly in a narrow range yesterday morning, before moving lower after lunch, writes Janet Bush in New York.

as domestic economic fundamentals, such as last Friday's 1.1 per cent rise in consumer spending in April, tend to argue against an easing. The decision to ease will depend on the balance of priorities between inflation and any desire to stop the dollar from rising. Those Fed officials who favour a slight easing may argue that the dollar's appreciation this year has already acted as a significant deflationary influence and that, at current levels, the currency threatens the continuing ability to export and the whole process of trade adjustment.

to 22% on news of a licensing agreement with Toshiba of Japan, which has said that it will develop a new class of computers based on two of Sun's products. NWA added 1% to \$107.4. Yesterday was the deadline for possible bidders to submit offers to the airline company. Pan Am, a possible bidder, dipped 4% to \$44. KinderCare Inc added 3/4% to \$28.8 on news that it will spin off KinderCare Learning Centres in a \$215m restructuring aimed at reducing debt. Texaco, which went ex dividend, was one of the most actively traded stocks on the New York Stock Exchange and added 3/4% to \$51.74. American Telephone & Telegraph added 3/4% to \$55.74 after the company and unions agreed a three-year contract involving only modest wage and benefits improvements.

Canada

CONTINUED strength in the US dollar seemed to confuse a cautious Toronto stock market which lost a little shine at mid-session, dropping back after an early jump. The composite index rose 3.2 to 3,695.1, and advancing stocks led declining ones 219 to 210.

Smaller exchanges register sweeping swings

MARKETS IN PERSPECTIVE

Table with columns: Country, % change in local currency, % change in sterling, Start of 1989. Rows include Austria, Belgium, Denmark, Finland, France, West Germany, Iceland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, EUROPE, Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Canada, USA, Mexico, South Africa, and WORLD INDEX.

By Alison Maitland

SHARP movements in some of the world's smaller markets dominated the global equity scene for a second week last week as Mexico soared and Hong Kong plummeted. Performance was far more muted in the leading markets of the US and Japan, so that the FT-Actuaries World Index ended almost unchanged, with a loss of just 0.1 per cent. Mexico built on its 13 per cent leap the previous week with a further rise of 9.4 per cent in local currency terms as investors continued to welcome the opening up of the country and the market to overseas money. Earlier this month, regulations governing direct foreign capital investment in Mexico were liberalised, while an easing of the rules on overseas ownership of shares is due in the next couple of months. The strong climb in the past two weeks, also helped by progress on the debt problem, has pushed Mexico into top place for performance this year, with a rise of 45.7 per cent in local currency terms.

Turnover, at some 25m shares per day, has not increased this year with the rise in share prices, according to Mr Tony Ewell of Corporate Broking Services, which specialises in emerging markets such as Mexico. However, he thinks it will improve as more and more people become aware of the market. At the other end of the scale, Hong Kong fell by 12.9 per cent last week in hectic trading, adding to its loss of 4.2 per cent a week earlier, as reports on the unfolding political situation in China sent investors rushing for the door. The activity was not entirely one-sided, however. Last Tuesday, the Hang Seng index leapt 9 per cent on bargain-hunting after its 11 per cent fall the previous day. Elsewhere in the world, South Africa made a particularly strong showing after losing badly the previous week, but its 3.7 per cent gain was rather than any change in fundamentals. The week had started badly, with the strong

dollar depressing the price of gold, but by the end of the week the US currency had reversed and bullion was firm again. A weak financial rand provided a further boost. It was a mixed week for European markets, with the UK falling 2.6 per cent as the pound slid and interest rates moved up, while a resurgence of speculative activity took France by storm, sending it 2.9 per cent higher. Austria continued to outperform with a 3 per cent rise giving it a 36.5 per cent advance so far this year and narrowing the gap with Norway, still the European leader with a 41.5 per cent gain. Sweden managed only a 0.8 per cent rise last week, but it has proved the best European performer this month, with a gain of 4.5 per cent. Switzerland, hit last week by interest rate fears, has been the worst performer in the past four weeks, falling 4.5 per cent. Over the longer-term, Italy is the only market in the FT-A series to be lower now than at the start of the year, while New Zealand alone languishes below its level a year ago.

ASIA PACIFIC

Investors scared away by weakness of yen

Tokyo

THE YEN took another nasty beating from the dollar and scared investors away from the equity market again, leading share prices lower in extremely low volume, writes Michiko Nakamoto in Tokyo. The Nikkei average, which kept losing in early trading as the yen continued to slip against the dollar, had fallen by nearly 150 points by mid-session. But late buying by investment trust funds supported a last-minute recovery that helped the Nikkei trim its losses and close down 83.94 at 34,076.89. The day's high was 34,162.01 while the low reached just two points below the close, 33,990.19. Declines outnumbered advances by 622 to 377 while 185 issues were unchanged. Turnover was paltry at 690m shares, down from the 934m traded on Monday. The Topix index of all listed shares declined 8.68 to 2,522.58, but in later London trading the ISE/Nikkei 50 index rose 1.40 to 2,011.63. "The desire to buy is there," said Mr Mitsuru Maekawa at Jardine Fleming, "but investors are frightened by the currency situation."

Other issues that attracted buying during the day ended lower on quick profit-taking. Furukawa Electric, the top volume issue with 22.7m shares traded, added Y90 to Y1,300 before closing down Y20 at Y1,250. Kawasaki Kisen, the shipping company, followed with 21.3m shares and closed down Y5 at Y965 after rising Y18 to Y988 during the day. It had been bought on its higher than expected pre-tax profits of Y1.7bn. Shimizu, the large construction company, was third in volume terms with 18.2m shares dealt and advanced Y30 to Y2,120. It was selected on its better earnings, although it too fell from its day's high of Y2,210. Currency worries kept investors sidelined in Osaka. The OSE average shed 104.73 points to 33,014.48 and turnover sank to 40.5m shares from 90.3m traded on Monday. Nintendo, the maker of video computer games, rose Y300 to Y10,000.

Roundup

NERVOUSNESS over the way curbing the dollar's further rise.

in which the Chinese authorities would handle the students' unrest continued to cast a cloud over Hong Kong while Singapore, Australia and Taiwan all advanced. HONG KONG investors took profits amid rumours in the market of plans to use military force against student demonstrators in Peking, and concern over Deng Xiaoping's failing health. The Hang Seng index ended 39.55 points lower at 2,895.46. Turnover fell to HK\$1.14bn from HK\$2.04bn on Monday. News of protests in Peking against the disappearance of three pro-democracy workers fuelled pessimism about developments during the afternoon. Hongkong Land topped the active list, falling 10 cents to HK\$39.40, followed by Swire A, down 50 cents to HK\$150. Jardine Matheson fell 40 cents to HK\$20.40. AUSTRALIA initially witnessed strong buying, mainly carried over from Monday's strong afternoon session. The resources sector registered the best gains, as buying related to a weak Australian dollar drove share prices higher. Profit-taking surfaced in the afternoon session with selling generally across the board, but the All Ordinaries index closed 6.5 points up at 1,542.4. Leading currency-sensitive stocks were sold when the volatile Australian dollar climbed at one point to US\$0.7323 but selling stopped when it later fell below 0.75 cents. SINGAPORE closed generally firmer on short-covering and bargain hunting in moderate trading after recent declines. Institutional buying pushed up several blue chips but most investors stayed on the sidelines awaiting a fresh lead from Wall Street. The Straits Times Industrial index climbed 12.68 points to close at 1,278.17. Rising stocks outnumbered falling ones by 157 to 35 but turnover contracted to 51.5m shares from Monday's 58.3m.

TAIWAN rose to its second consecutive all-time high with attention concentrated on the financial sector. The weighted index climbed 150.48 to 9,846.15.

EUROPE

Frankfurt leads bourses in advances to year highs

INVESTORS in Europe shrugged off interest rate concerns and went on a buying spree, notably in West Germany where prices climbed and turnover soared, writes Philip Markens Staff. RANKFURT returned to its 2 1/2 year high of FF125.50 on Monday, October 1987, as foreign and domestic investors took the view that the dollar's strength was good for the DM. The opening CAC general was off 0.7 at 477.1. LVMH attracted speculative buying as a Paris commercial court ruled that share warrants bought by Bernard Arnault, the group's chairman, should be frozen before a shareholders' meeting on June 9. The share soared to FF4,399 before ending FF4,142 higher at FF4,287 amid speculation Mr Arnault would have to buy shares to support his position against Mr Henry Racamer. Construction stock Bouygues was active, rising FF33 to FF474 on its forecast of a good year, the strength of television advertising revenue, and its bid for the Libyan irrigation contract. MADRID opened in spite of a one-day strike by employees of stockbrokers and of the exchange's governing board. Stockbrokers turning up for work had to run the gauntlet of pickets at the entrance. Brokers' employees fear they may lose their jobs after a reform abolishing the monopoly of brokers in all share transactions takes effect at the end of July. The stockbrokers limited trade to half of the 120 leading stocks. Shares closed mostly higher, pushing the index to a new 1989 high of 313.12, up 0.46. AMSTERDAM was mainly firm after a hesitant session as export-dependent issues drew the dollar's strength. The CBS tendency index added

0.4 to 179.8 and a modest FI 720m worth of shares changed hands. Insurer NatNet continued a run of gains, adding FI 1.80 to FI 62.0 with first quarter results due today. Grey market trading in truck manufacturer Anglo-Dutch DAF remained buoyant before tomorrow's close of share applications. The 17.9m share issue is expected to be well oversubscribed. It was quoted up 10 cents at F156.40, at a distinct premium to its F147 issue price. ZURICH picked up as investors took the view that interest rates had probably peaked. The Swiss Bank industrial index rose 7 to 671.8. MILAN edged slightly higher in moderate trading with sustained demand for Fiat before the release of 1988 group results. The Comit index gained 0.82 to end at 610.00. Fiat rose L74 to L8,394, but fell back after hours to L8,350. STOCKHOLM climbed steadily after morning losses and finished at a new record in very thin volume of SKr322m. The J&P index 3.7 to 4,063.97. SCA, the pulp and paper company, went ex a dividend of SKr7.25 and its free B-shares fell SKr12 to SKr950. Interim results showed a 16 per cent rise in profits, but a company statement said SCA would not be able to maintain profit growth at its present rate throughout 1989. COPENHAGEN rose across the board in active turnover as investors took a positive view of government tax reform proposals unveiled last week. VIENNA moved higher, with the index closing at 353.29, up 7. Montana, the bio-chemical and financial services group, rose by Sch9,600 to Sch50,000 following the successful outcome of a court case and its excellent results for 1988.

with Bouygues of France. PARIS had a moderate day, with prices edging higher in selective buying. Volume was estimated by one house at FF7.2bn, with Eurotunnel the most active stock as it rose FF7.0 to a year high of FF125.50 on Monday, October 1987. The OMF 50 index added just 0.59 to 494.58, while the CAC 40 was 2.06 higher at 1,722.87. The opening CAC general was off 0.7 at 477.1. LVMH attracted speculative buying as a Paris commercial court ruled that share warrants bought by Bernard Arnault, the group's chairman, should be frozen before a shareholders' meeting on June 9. The share soared to FF4,399 before ending FF4,142 higher at FF4,287 amid speculation Mr Arnault would have to buy shares to support his position against Mr Henry Racamer. Construction stock Bouygues was active, rising FF33 to FF474 on its forecast of a good year, the strength of television advertising revenue, and its bid for the Libyan irrigation contract. MADRID opened in spite of a one-day strike by employees of stockbrokers and of the exchange's governing board. Stockbrokers turning up for work had to run the gauntlet of pickets at the entrance. Brokers' employees fear they may lose their jobs after a reform abolishing the monopoly of brokers in all share transactions takes effect at the end of July. The stockbrokers limited trade to half of the 120 leading stocks. Shares closed mostly higher, pushing the index to a new 1989 high of 313.12, up 0.46. AMSTERDAM was mainly firm after a hesitant session as export-dependent issues drew the dollar's strength. The CBS tendency index added

SOUTH AFRICA

JOHANNESBURG stocks ended narrowly mixed yesterday after a quiet and trendless day's trading, reflecting a general lack of interest before today's Republic Day holiday. Gold shares drifted aimlessly as the bullion price hovered above \$360.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns: NATIONAL AND REGIONAL MARKETS, MONDAY MAY 29 1989, FRIDAY MAY 26 1989, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex-UK, Pacific Ex-Japan, World Ex-US, World Ex-UK, World Ex-SA, World Ex-Japan, and The World Index.

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